

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

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2009**

VILLAGE OF LAKE ORION
For the Year Ended June 30, 2009
Table of Contents

INTRODUCTORY SECTION

Table of Contents

Page

FINANCIAL SECTION

Independent Auditor's Report.....	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities	12-13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	16
Balance Sheet – Proprietary Fund.....	17
Statement of Revenues, Expenses, and Changes In Fund Equity – Proprietary Fund	18
Statement of Cash Flows – Proprietary Fund.....	19
Statement of Fiduciary Net Assets	20
Notes to Financial Statements	21-40

VILLAGE OF LAKE ORION
For the Year Ended June 30, 2009

Table of Contents

	<u>Page</u>
Required Supplementary Information:	
Defined Benefit Pension Plans – Trend Information	41
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	42
Statement of Revenues , Expenditures and Changes in Fund Balance – Budget and Actual – Public Works Fund	43
Statement of Revenues , Expenditures and Changes in Fund Balance – Budget and Actual – Police Fund	44
Other Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds.....	46
Nonmajor Special Revenue Funds – Combining Balance Sheet.....	47
Nonmajor Special Revenue Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balance	48
Nonmajor Debt Service Funds – Combining Balance Sheet	49
Nonmajor Debt Service Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balance	49
Combining Balance Sheet – Component Unit-DDA	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Component Unit-DDA.....	51
Schedule of Indebtedness – Governmental Funds	52
Schedule of Indebtedness – Proprietary Fund.....	53

FINANCIAL SECTION

POST, SMYTHE, LUTZ and ZIEL

of Plymouth LLP

Certified Public Accountants

1034 West Ann Arbor Trail
P.O. Box 5520
Plymouth, MI 48170-1502

Dennis M. Siegner, C.P.A., C.V.A.
David R. Williamson, C.P.A.
Jane F. Wang, C.P.A.
Rana M. Emmons, C.P.A.

Telephone: (734) 453-8770
Fax: (734) 453-0312

Jennifer A. Galofaro, C.P.A., C.V.A.
Susan H. Bertram, C.P.A.

Independent Auditor's Report

September 4, 2009

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, 2009, 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.

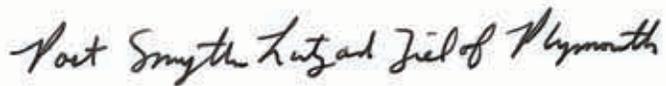
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lake Orion as of June 30, 2009, 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
September 4, 2009

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 cursive script that reads "Post Smythe Lutz and Ziel of Plymouth".

Post, Smythe, Lutz and Ziel of Plymouth LLP
Certified Public Accountants



Village Of Lake Orion

37 E. Flint Street
Lake Orion, MI 48362
(248) 693-8391
FAX (248) 693-5874

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, 2009. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The assets of the Village of Lake Orion exceeded its liabilities at the close of the most recent fiscal year by \$11,377,419 (*net assets*). Of this amount, \$4,587,568 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Village's total net assets increased by \$288,115.
- At the close of the most recent fiscal year, the Village of Lake Orion's governmental funds reported combined ending fund balances of \$1,295,469. Approximately 77 percent of this total amount, \$992,283 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 \$404,187, or 43 percent of total general fund expenditures before operating transfers.
- The Village of Lake Orion's total debt, including the DDA, decreased by \$455,566 (14 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 statement can be found on page 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-40 of this report.

Government-wide Financial Analysis

Assets exceeded liabilities by \$11,377,419 at the close of the most recent fiscal year. Of the Village of Lake Orion's net assets, 57 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 Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 1,487,244	\$ 1,442,535	\$ 4,117,902	\$ 4,689,041	\$ 5,605,146	\$ 6,131,576
Capital Assets	2,913,079	2,951,401	5,993,578	6,083,393	8,906,657	9,034,794
Total Assets	<u>4,400,323</u>	<u>4,393,936</u>	<u>10,111,480</u>	<u>10,772,434</u>	<u>14,511,803</u>	<u>15,166,370</u>
Long-term liabilities outstanding	1,107,096	1,247,662	1,545,449	1,789,024	2,652,545	3,036,686
Other liabilities	191,775	217,467	290,064	822,913	481,839	1,040,380
Total Liabilities	<u>1,298,871</u>	<u>1,465,129</u>	<u>1,835,513</u>	<u>2,611,937</u>	<u>3,134,384</u>	<u>4,077,066</u>
Net Assets:						
Invested in capital assets, net of related debt	2,078,079	1,961,401	4,361,401	4,212,641	6,439,480	6,174,042
Restricted	219,452	230,001	130,919	141,446	350,371	371,447
Unrestricted	803,921	737,405	3,783,647	3,806,410	4,587,568	4,543,815
Total Net Assets	<u>\$ 3,101,452</u>	<u>\$ 2,928,807</u>	<u>\$ 8,275,967</u>	<u>\$ 8,160,497</u>	<u>\$ 11,377,419</u>	<u>\$ 11,089,304</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 \$288,115 during the current fiscal year.

Governmental activities. Governmental activities increased net assets by \$172,645, accounting for 60 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	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 707,188	\$ 748,194	\$ 1,104,451	\$ 1,178,705	\$ 1,811,639	\$ 1,926,899
Operating Grants & Contributions	460,762	440,821	-	-	460,762	440,821
Capital Grants & Contributions	76,858	-	13,479	16,925	90,337	16,925
General Revenues:						
Property Taxes	1,179,179	1,190,700	168,843	162,463	1,348,022	1,353,163
State Shared Revenues	230,008	234,976	-	-	230,008	234,976
Unrestricted Investment Earnings	35,513	65,370	97,800	226,708	133,313	292,078
Total Revenues	2,689,508	2,680,061	1,384,573	1,584,801	4,074,081	4,264,862
Expenses:						
General Government	691,599	668,461	-	-	691,599	668,461
Public Safety	898,396	855,812	-	-	898,396	855,812
Public Works	844,819	849,345	-	-	844,819	849,345
Health and Welfare	17,395	-	-	-	17,395	-
Community Development	74,008	74,690	-	-	74,008	74,690
Recreation and Cultural	44,978	43,741	-	-	44,978	43,741
Interest on Long-Term Debt	45,668	48,875	-	-	45,668	48,875
Water and Sewer	-	-	1,269,103	1,243,576	1,269,103	1,243,576
Total Expenses	2,616,863	2,540,924	1,269,103	1,243,576	3,885,966	3,784,500
Change in Net Assets						
before Transfers	72,645	139,137	115,470	341,225	188,115	480,362
Transfers	100,000	50,000	-	-	100,000	50,000
Change in Net Assets	\$ 172,645	\$ 189,137	\$ 115,470	\$ 341,225	\$ 288,115	\$ 530,362

Key elements of the net asset increase for Governmental activities (\$ rounded to thousands) are as follows:

- Reduction in Long term debt & liabilities \$ 141,000
- Pension expense reductions 10,000
- Legal expense reductions 11,000
- Increase in Fire Dispatch revenues 10,000
- Net capital outlay reductions 40,000
- Misc cost reductions (road salt, life/disability, postage) 14,000
- Transfer for Flint Street Repaving 100,000

Reduced by decreases in net assets including:

- Retiree and employee health insurance increases \$ 40,000
- Reduced interest revenue 19,000
- Increased wages 16,000
- Reduced police OUIL/parking/penal fine revenue 30,000
- Property Tax revenue reductions 10,000
- Depreciation exceeded capital outlay 38,000

Business-type activities. Business-type activities increased net assets by \$115,470, accounting for 40 percent of the total growth in net assets. This growth is mostly due to an increase in service charges and various expense reductions.

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 6-30-2008	448,337	123,159	102,943	550,629	1,225,068
Fund Balance 6-30-2009	470,723	97,136	26,318	701,292	1,295,469
Net Change in Fund Balance	22,386	(26,023)	(76,625)	150,663	70,401

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$1,295,469, approximately 77 percent of this total amount (\$992,283) 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 (\$83,734), 2) to pay debt service (\$5,372), or 3) to generate income to pay for the perpetual care of the municipal cemetery (\$214,080).

Total governmental fund balances increased \$70,401 for the 2008-2009 fiscal year as compared to an increase of \$83,290 in the 2007-2008 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 \$404,187, while total fund balance was \$470,723. Unreserved fund balance represents 43 percent of total general fund expenditures before operating transfers, while total fund balance represents 50 percent of that same amount. The fund balance of the Village of Lake Orion's General Fund increased \$22,386 during the current fiscal year. This increase is mostly attributable to General Fund contribution reductions to the Public Works and Police Funds.

General Fund contributions support the Public Works Fund and the Police Fund. Thus an increase in those two fund balances would offset a reduced General Fund balance.

The Public Works Fund has a total fund balance of \$97,136; unreserved fund balance in the Public Works Fund was \$79,938. The total Public Works fund balance represents a decrease of \$26,023 in comparison with the prior year.

The Police Fund has a total fund balance of \$26,318, all of which was unreserved. The total Police fund balance represents a decrease of \$76,625 in comparison with the prior year. This decrease is mostly due to reduced General Fund contributions and reductions in OUIL/parking/penal fine revenues.

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 \$3,783,647.

Although the Water and Sewer Fund had an operating loss of \$81,436 at year end, it also shows net income of \$115,470. The interest earnings of \$97,800 and tap fee revenues of \$13,479 are non-operating revenues which appear to offset the operating loss.

General Fund Budgetary Highlights

There was no change between the original budget and the final amended budget total in revenues or in expenditures for the General Fund and a total \$11,000 increase in transfers out. This change was due to a transfer to the Capital Improvement Fund to replace a server and accounting software, damaged in a lightning strike.

Capital Asset and Debt Administration

Capital assets. The Village of Lake Orion’s investment in capital assets for its governmental and business type activities is \$8,906,657 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, machinery and equipment, park facilities, roads, and bridges. The change in the Village of Lake Orion’s investment in capital assets for the current fiscal year was a 1 percent decrease for governmental activities, and a 1 percent decrease in business-type activities.

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

- Donated Police radios \$ 54,000
- Donated 1941 Police vehicle 18,000
- Meeks Park bridge 104,000
- M-24 Fence and Lighting project 201,000
- Water Main Replacement project 144,000

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 \$2,480,000. Of this amount, \$835,000 is governmental, \$1,645,000 is business-type. The Village of Lake Orion’s total bond debt decreased by \$395,000 (14 percent) during the current fiscal year.

At the end of the current fiscal year, the Village of Lake Orion’s Component Unit (DDA) had land contract debt outstanding of \$149,000. Principal of \$75,000 was paid during the current fiscal year.

The Village of Lake Orion received a rating upgrade to “AA-” from Standard & Poor’s in 2009 for bond debt.

Economic Factors and Future Budgets and Rates

Property taxes make up over 50 percent of our General Fund Revenue. Taxable values experienced a 4.4 percent decrease for 2009/2010.

The Village continues to pursue expense reductions to preserve financial strength. Cost reduction activities in 2008/2009 included the following:

- Freezing wages for non union employees and reduced seasonal employee hours.
- Implemented move to Defined Contribution pension plan.
- Telephone contract revisions.
- Reduced office cleaning frequency.
- Change in application process for road salt.
- Deferred Capital Improvement purchases.
- Reduced Legal fees.
- Eliminate most training, travel, and education expenses.

Continual monitoring of costs and implementing further reductions is planned due to possible future expense increases and revenue reductions including:

- Funding for our retiree health care liability.
- Local economic conditions will most likely result in further property tax revenue reductions in future years.

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 operating loss of \$81,436. This operating loss was mostly due to a sewer billing methodology change by Oakland County to flow based billing. The Village is currently analyzing the integration of that methodology into our water/sewer rate structure.

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, 2009

	<u>Primary Government</u>			<u>Component Unit - DDA</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,179,353	\$ 3,475,429	\$ 4,654,782	\$ 313,594
Receivables (net of allowance for uncollectibles)	180,938	338,420	519,358	8,490
Due from Other Governmental Units	23,510	-	23,510	-
Inventory	-	13,707	13,707	-
Prepaid Expenditures	103,443	-	103,443	6,495
Restricted Assets - Cash and Cash Equivalents	-	290,346	290,346	-
Capital Assets (net of accumulated depreciation)	2,913,079	5,993,578	8,906,657	1,611,823
Total Assets	<u>4,400,323</u>	<u>10,111,480</u>	<u>14,511,803</u>	<u>1,940,402</u>
<u>LIABILITIES</u>				
Accounts Payable	74,919	176,052	250,971	33,357
Accrued Liabilities	27,648	-	27,648	-
Deferred Revenue	89,208	4,830	94,038	4,010
Liabilities payable from restricted assets	-	109,182	109,182	-
Noncurrent Liabilities:				
Due within one year	165,000	135,586	300,586	75,000
Due in more than one year	942,096	1,409,863	2,351,959	74,000
Total Liabilities	<u>1,298,871</u>	<u>1,835,513</u>	<u>3,134,384</u>	<u>186,367</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, net of related debt	2,078,079	4,361,401	6,439,480	1,462,823
Restricted for:				
Debt Service	5,372	130,919	136,291	-
Perpetual Care	214,080	-	214,080	-
Unrestricted	803,921	3,783,647	4,587,568	291,212
Total Net Assets	<u>\$ 3,101,452</u>	<u>\$ 8,275,967</u>	<u>\$ 11,377,419</u>	<u>\$ 1,754,035</u>

VILLAGE OF LAKE ORION
Statement of Activities
For the Year Ended June 30, 2009

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs				
Primary Government:				
Governmental Activities:				
General Government	\$ 691,599	\$ 339,561	\$ -	\$ -
Public Safety	898,396	161,215	295,026	72,208
Public Works	844,819	185,251	145,596	-
Health and Welfare	17,395	-	20,140	-
Community Development	74,008	13,886	-	-
Recreation and Cultural	44,978	7,275	-	4,650
Interest on Long-Term Debt	45,668	-	-	-
Total Governmental Activities	2,616,863	707,188	460,762	76,858
Business-type Activities:				
Water and Sewer	1,269,103	1,104,451	-	13,479
Total Primary Government	\$ 3,885,966	\$ 1,811,639	\$ 460,762	\$ 90,337
Component Units	\$ 552,973	\$ 47,248	\$ 69,430	\$ -

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

Primary Government			Component
Governmental	Business-type	Total	Unit -
Activities	Activities		DDA
\$ (352,038)	\$ -	\$ (352,038)	\$ -
(369,947)	-	(369,947)	-
(513,972)	-	(513,972)	-
2,745	-	2,745	-
(60,122)	-	(60,122)	-
(33,053)	-	(33,053)	-
(45,668)	-	(45,668)	-
<u>(1,372,055)</u>	<u>-</u>	<u>(1,372,055)</u>	<u>-</u>
-	(151,173)	(151,173)	-
<u>(1,372,055)</u>	<u>(151,173)</u>	<u>(1,523,228)</u>	<u>-</u>
-	-	-	(436,295)
1,179,179	168,843	1,348,022	674,981
230,008	-	230,008	-
35,513	97,800	133,313	10,591
100,000	-	100,000	(100,000)
<u>1,544,700</u>	<u>266,643</u>	<u>1,811,343</u>	<u>585,572</u>
172,645	115,470	288,115	149,277
<u>2,928,807</u>	<u>8,160,497</u>	<u>11,089,304</u>	<u>1,604,758</u>
<u>\$ 3,101,452</u>	<u>\$ 8,275,967</u>	<u>\$ 11,377,419</u>	<u>\$ 1,754,035</u>

VILLAGE OF LAKE ORION
Balance Sheet
Governmental Funds
June 30, 2009

	<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	\$ 365,446	\$ 100,989	\$ 12,909	\$ 700,009	\$ 1,179,353
Receivables (net of allowance for uncollectibles)	86,198	-	91,303	3,437	180,938
Due from State	-	-	-	23,510	23,510
Prepaid Expenditures	<u>66,536</u>	<u>17,198</u>	<u>19,709</u>	<u>-</u>	<u>103,443</u>
Total Assets	<u>\$ 518,180</u>	<u>\$ 118,187</u>	<u>\$ 123,921</u>	<u>\$ 726,956</u>	<u>\$ 1,487,244</u>
 <u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ 37,635	\$ 5,105	\$ 6,515	\$ 25,664	\$ 74,919
Accrued and Other Liabilities	8,924	15,946	2,778	-	27,648
Deferred Revenue	898	-	88,310	-	89,208
Total Liabilities	<u>47,457</u>	<u>21,051</u>	<u>97,603</u>	<u>25,664</u>	<u>191,775</u>
Fund Balances:					
Reserved for:					
Perpetual Care	-	-	-	214,080	214,080
Prepays	66,536	17,198	-	-	83,734
Debt Service	-	-	-	5,372	5,372
Unreserved, reported in:					
General Fund	404,187	-	-	-	404,187
Special Revenue Funds	-	79,938	26,318	168,678	274,934
Capital Projects Funds	-	-	-	313,162	313,162
Total Fund Balance	<u>470,723</u>	<u>97,136</u>	<u>26,318</u>	<u>701,292</u>	<u>1,295,469</u>
Total Liabilities and Fund Balance	<u>\$ 518,180</u>	<u>\$ 118,187</u>	<u>\$ 123,921</u>	<u>\$ 726,956</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.	2,913,079
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,107,096)</u>
Net Assets of Governmental Activities	<u>\$ 3,101,452</u>

VILLAGE OF LAKE ORION
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2009

	<u>General</u>	<u>Public Works</u>	<u>Police</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property Taxes	\$ 1,008,578	\$ -	\$ -	\$ 170,601	\$ 1,179,179
Intergovernmental:					
Federal, State and Local	250,148	-	295,026	145,596	690,770
Charges for Services	179,553	185,251	-	-	364,804
Fines and Forfeitures	-	-	50,825	-	50,825
Special Assessments	6,212	-	-	-	6,212
Interest	22,815	1,339	520	10,839	35,513
Other	161,910	-	110,390	89,905	362,205
Total Revenues	<u>1,629,216</u>	<u>186,590</u>	<u>456,761</u>	<u>416,941</u>	<u>2,689,508</u>
Expenditures					
Current:					
General Government	554,260	-	-	-	554,260
Public Safety	-	-	869,386	-	869,386
Public Works	190,778	404,613	-	178,787	774,178
Health and Welfare	17,395	-	-	-	17,395
Community Development	74,008	-	-	-	74,008
Recreation and Cultural	35,739	-	-	-	35,739
Other Functions	60,650	-	-	23,445	84,095
Debt Service:					
Principal	-	-	-	155,000	155,000
Interest and Other Charges	-	-	-	45,668	45,668
Capital Outlay	-	-	-	109,378	109,378
Total Expenditures	<u>932,830</u>	<u>404,613</u>	<u>869,386</u>	<u>512,278</u>	<u>2,719,107</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>696,386</u>	<u>(218,023)</u>	<u>(412,625)</u>	<u>(95,337)</u>	<u>(29,599)</u>
Other Financing Sources (Uses)					
Transfers In	-	192,000	336,000	161,000	689,000
Transfers Out	(674,000)	-	-	(15,000)	(689,000)
Transfer In - Component Unit	-	-	-	100,000	100,000
Total Other Financing Sources (Uses)	<u>(674,000)</u>	<u>192,000</u>	<u>336,000</u>	<u>246,000</u>	<u>100,000</u>
Net Change in Fund Balance	22,386	(26,023)	(76,625)	150,663	70,401
Fund Balance - Beginning	<u>448,337</u>	<u>123,159</u>	<u>102,943</u>	<u>550,629</u>	<u>1,225,068</u>
Fund Balance - Ending	<u>\$ 470,723</u>	<u>\$ 97,136</u>	<u>\$ 26,318</u>	<u>\$ 701,292</u>	<u>\$ 1,295,469</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, 2009

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

Net change in fund balance - total governmental funds	\$	70,401
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>		
		(38,322)
<p>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.</p>		
		<u>140,566</u>
Change in net assets in governmental activities	\$	<u><u>172,645</u></u>

VILLAGE OF LAKE ORION
Balance Sheet
Proprietary Fund
June 30, 2009

	Enterprise Fund
	Water & Sewer
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 3,475,429
Accounts Receivable	338,420
Inventory	13,707
Total Current Assets	3,827,556
Restricted Assets - Cash	290,346
Property, Plant and Equipment	11,176,857
Less: Accumulated Depreciation	(5,183,279)
Net Property, Plant and Equipment	5,993,578
Total Assets	\$ 10,111,480
<u>LIABILITIES AND EQUITY</u>	
Current Liabilities:	
Accounts Payable	\$ 176,052
Compensated Absences Payable	586
Deferred Revenue	4,830
General Obligation Bonds Payable	135,000
Total Current Liabilities	316,468
Current Liabilities Payable from Restricted Assets:	
Revenue Bonds Payable	100,000
Accrued Interest Payable	9,182
Total Current Liabilities Payable from Restricted Assets	109,182
Long-Term Liabilities:	
Compensated Absences Payable	12,686
General Obligation Bonds Payable	415,000
Revenue Bonds Payable (net of unamortized discount)	982,177
Total Long-Term Liabilities	1,409,863
Total Liabilities	1,835,513
Equity:	
Invested in Capital Assets, Net of Related Debt	4,361,401
Restricted for Debt Service	130,919
Unrestricted	3,783,647
Total Equity	8,275,967
Total Liabilities and Equity	\$ 10,111,480

VILLAGE OF LAKE ORION
Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary Fund
For the Year Ended June 30, 2009

	Enterprise Fund
	Water & Sewer
<u>Operating Revenues:</u>	
Charges for Services	\$ 1,080,934
Penalty Charges	18,797
Miscellaneous	4,720
Total Operating Revenues	1,104,451
<u>Operating Expenses:</u>	
Salaries and Fringe Benefits	45,806
Water Purchases	292,784
Sewage Treatment	511,177
General and Administrative	65,400
Supplies	4,629
Contract Services	350
Equipment Repairs & Rentals	32,198
Depreciation and Amortization	233,543
Total Operating Expenses	1,185,887
Operating Income (Loss)	(81,436)
<u>Non-Operating Revenues (Expenses):</u>	
Property Taxes	168,843
Interest Earned	97,800
Interest Expense and Related Fees	(83,216)
Total Non-Operating Revenues (Expenses)	183,427
Income before Contributions and Transfers	101,991
Capital Contributions - Tap Fees	13,479
Net Income (Loss)	115,470
Fund Equity, Beginning	8,160,497
Fund Equity, Ending	\$ 8,275,967

VILLAGE OF LAKE ORION
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2009

	Enterprise Fund
	Water & Sewer
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from customers and users	\$ 1,174,643
Payments to Suppliers	(1,445,347)
Payments to Employees	(45,806)
Net Cash Provided by Operating Activities	(316,510)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Property Taxes Levied	168,843
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Capital Contributions	13,479
Construction of Assets	(143,728)
Principal Paid on Capital Debt	(240,000)
Interest Paid on Capital Debt	(81,791)
Net Cash Provided (Used) by Capital and Related Financing Activities	(452,040)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Earned	97,800
Net Increase (Decrease) in Cash and Cash Equivalents	(501,907)
Cash and Cash Equivalents, Beginning	4,267,682
Cash and Cash Equivalents, Ending	\$ 3,765,775
Balance Sheet Classification of Cash and Cash Equivalents:	
Cash and Cash Equivalents	\$ 3,475,429
Restricted Assets	290,346
Total	\$ 3,765,775
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>	
Operating Income (Loss)	\$ (81,436)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization Expense	233,543
(Increase) Decrease in Receivables	69,232
Increase (Decrease) in Accounts Payable	(537,348)
Increase (Decrease) in Accrued Interest Payable	(1,461)
Increase (Decrease) in Deferred Revenue	960
Net Cash Provided by Operating Activities	\$ (316,510)

VILLAGE OF LAKE ORION
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	\$ <u>92,808</u>
<u>LIABILITIES</u>	
Due to Other	\$ <u>92,808</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2009

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, 2009

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, 2009

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

Estimates

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

D. Assets, Liabilities and Net 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, 2009

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, 2009.

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, 2009 consist of the following:

	<u>Restricted Assets</u>
Revenue Bond Reserve	\$ 159,427
Revenue Bond Debt Retirement	122,379
General Obligation Bonds Debt Retirement	<u>8,540</u>
	<u>\$ 290,346</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2009

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	10-50
Buildings	40
Street and Road Improvements	50
Equipment	5-10
Vehicles	5-10

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.

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 discounts

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

7. Long-term Obligations – Continued

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 \$1,107,096 difference are as follows:

General Obligation Bonds Payable	\$ 835,000
Compensated Absences Payable	<u>272,096</u>
	<u>\$1,107,096</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2009

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 \$(38,322) difference are as follows:

Capital Outlay	\$ 109,378
Depreciation Expense	<u>(147,700)</u>
	<u>\$ (38,322)</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 \$140,566 difference are as follows:

Compensated Absences	\$ (14,434)
Principal Repayments:	
General Obligation Bonds	<u>155,000</u>
	<u>\$ 140,566</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, 2009

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 and Special Revenue Fund budgets are adopted at the activity level.
5. Budget appropriations lapse at year end.
6. The Village Council may authorize supplemental appropriations (budget amendments) during the year. In 2009, 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, 2009.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

Budgets for the General Fund and Special Revenue Funds are adopted at the activity level. Expenditures did not exceed budget appropriations for any activities as of June 30, 2009.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2009

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, 2009, the Village's book balance of its deposits was \$5,037,461; the total book balance was \$5,037,936, due to \$475 in cash on hand. The bank balance was \$5,129,847 which was exposed to custodial credit risk, as follows:

	<u>Bank</u>
	<u>Balance</u>
Insured by F.D.I.C.	\$3,459,375
Uninsured and Uncollateralized	<u>1,670,472</u>
Total	<u>\$5,129,847</u>

A reconciliation of cash for the primary government follows:

Cash and Cash Equivalents per:	
Statement of Net Assets	\$4,654,782
Restricted Assets-Statement of Net Assets	290,346
Statement of Fiduciary Net Assets	<u>92,808</u>
Total	<u>\$5,037,936</u>

At June 30, 2009, the carrying amount and bank balances of the component units of the Village of Lake Orion are as follows:

	<u>Carrying</u>	<u>Bank</u>	<u>FDIC</u>
	<u>Amount</u>	<u>Balance</u>	<u>Insured</u>
Downtown Development Authority	<u>\$313,594</u>	<u>\$313,594</u>	<u>\$250,000</u>

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2009

IV. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

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.

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

<u>Deposits and Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Savings and Checking Accounts	\$ 1,427,475	Demand
Money Market Accounts (Share price=\$1)	164,758	Demand
Pooled Investments(Share price=\$1)	201,208	Demand
Certificates of Deposits- Less than one year	<u>3,650,000</u>	338 days
	<u>\$ 5,443,441</u>	

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2009

IV. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

<u>Governmental Activities:</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Capital Assets, not depreciated:				
Land	\$ 498,484	\$ -	\$ -	\$ 498,484
Capital Assets, being depreciated:				
Land Improvements	394,963	10,912	-	405,875
Street and Road Improvements	1,999,507	-	-	1,999,507
Building and Improvements	897,891	-	-	897,891
Machinery and Equipment	341,280	80,188	-	421,468
Vehicles	531,426	18,278	-	549,704
	<u>4,165,067</u>	<u>109,378</u>	<u>-</u>	<u>4,274,445</u>
Less: Accumulated Depreciation:				
Land Improvements	(116,144)	(25,974)	-	(142,118)
Street and Road Improvements	(365,985)	(39,990)	-	(405,975)
Building and Improvements	(573,687)	(22,062)	-	(595,749)
Machinery and Equipment	(260,387)	(32,444)	-	(292,831)
Vehicles	(395,947)	(27,230)	-	(423,177)
	<u>(1,712,150)</u>	<u>(147,700)</u>	<u>-</u>	<u>(1,859,850)</u>
Governmental Activities				
Capital Assets, net	<u>\$ 2,951,401</u>	<u>\$ (38,322)</u>	<u>\$ -</u>	<u>\$ 2,913,079</u>

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

General Government	\$ 38,810
Public Safety	29,010
Public Works	70,641
Recreation and Cultural	9,239
	<u>\$ 147,700</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2009

IV. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets – Continued

<u>Business-type Activities:</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Capital Assets, being depreciated:				
Water and Sewer Mains	\$ 9,938,214	\$ 143,728	\$ -	\$ 10,081,942
Equipment	194,202	-	-	194,202
Intangible Assets-Water Lines	900,713	-	-	900,713
	<u>11,033,129</u>	<u>143,728</u>	<u>-</u>	<u>11,176,857</u>
Less: Accumulated Depreciation:				
Water and Sewer Mains	(4,484,587)	(199,083)	-	(4,683,670)
Equipment	(149,899)	(11,942)	-	(161,841)
Intangible Assets-Water Lines	(315,250)	(22,518)	-	(337,768)
	<u>(4,949,736)</u>	<u>(233,543)</u>	<u>-</u>	<u>(5,183,279)</u>
Business-type Activities				
Capital Assets, net	<u>\$ 6,083,393</u>	<u>\$ (89,815)</u>	<u>\$ -</u>	<u>\$ 5,993,578</u>

<u>Component Unit-DDA:</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Capital Assets, being depreciated:				
Land Improvements	\$ 460,720	\$ 103,841	\$ -	\$ 564,561
Street and Road Improvements	955,059	200,871	-	1,155,930
Building and Improvements	499,000	-	-	499,000
Equipment	11,582	189	-	11,771
	<u>1,926,361</u>	<u>304,901</u>	<u>-</u>	<u>2,231,262</u>
Less: Accumulated Depreciation:				
Land Improvements	(352,727)	(9,784)	-	(362,511)
Street and Road Improvements	(191,719)	(28,134)	-	(219,853)
Building and Improvements	(18,713)	(12,475)	-	(31,188)
Equipment	(4,035)	(1,852)	-	(5,887)
	<u>(567,194)</u>	<u>(52,245)</u>	<u>-</u>	<u>(619,439)</u>
Component Unit				
Capital Assets, net	<u>\$ 1,359,167</u>	<u>\$ 252,656</u>	<u>\$ -</u>	<u>\$ 1,611,823</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2009

IV. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers as of June 30, 2009, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Public Works Fund	General Fund	\$ 192,000
Police Fund	General Fund	336,000
Local Street Fund	General Fund	60,000
Capital Improvement Fund	General Fund	86,000
North Shore Bridge Debt	Local Street Fund	15,000
		<u>\$ 689,000</u>

Transfers represent the following:

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

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

D. Long-Term Debt

The following is a summary of long-term debt transactions of the Village for the year ended June 30, 2009:

	<u>Balance July 1, 2008</u>	<u>Add: Additional Debt Incurred</u>	<u>Less: Retirements and Payments on Debt</u>	<u>Balance June 30, 2009</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 865,000	\$ -	\$ 145,000	\$ 720,000	\$155,000
MTF Bonds	125,000	-	10,000	115,000	10,000
Compensated Absences	257,662	14,434	-	272,096	14,854
Total Governmental Activities	<u>1,247,662</u>	<u>14,434</u>	<u>155,000</u>	<u>1,107,096</u>	<u>179,854</u>
Business-type Activities:					
Revenue Bonds	1,190,000	-	95,000	1,095,000	100,000
G.O. Refunding Bonds	695,000	-	145,000	550,000	135,000
Compensated Absences	13,272	-	-	13,272	586
Total Business-type Activities	<u>1,898,272</u>	<u>-</u>	<u>240,000</u>	<u>1,658,272</u>	<u>235,586</u>
 Total	 <u>\$3,145,934</u>	 <u>\$ 14,434</u>	 <u>\$ 395,000</u>	 <u>\$2,765,368</u>	 <u>\$415,440</u>
Component Unit - DDA:					
Land Contract	<u>\$ 224,000</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ 149,000</u>	<u>\$ 75,000</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2009

IV. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the Village as of June 30, 2009:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Governmental Activities:				
General Oblig. Bonds	1	4.60-4.85%	2012	\$ 720,000
MTF Bonds	1	5.00%	2017	115,000
				<u>\$ 835,000</u>
Business-type Activities:				
Revenue Bonds	1	4.90-5.00%	2018	\$ 1,095,000
G.O. Refunding Bonds	1	3.20-3.63%	2013	550,000
				<u>\$ 1,645,000</u>
Component Unit:				
DDA Land Contract	1	6.00%	2011	<u>\$ 149,000</u>

The annual debt service requirements to maturity for general obligation debt outstanding as of June 30, 2009 are as follows:

<u>Year Ended</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 165,000	\$ 36,360	\$ 235,000	\$ 73,492
2011	185,000	28,183	245,000	64,272
2012	200,000	19,010	245,000	54,367
2013	210,000	9,100	255,000	44,075
2014	15,000	3,750	120,000	33,250
2015-2018	60,000	7,500	545,000	69,750
	<u>\$ 835,000</u>	<u>\$ 103,903</u>	<u>\$ 1,645,000</u>	<u>\$ 339,206</u>

<u>Year Ended</u>	<u>Component Unit - DDA</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 75,000	\$ 6,315
2011	74,000	1,850
	<u>\$ 149,000</u>	<u>\$ 8,165</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2009

IV. DETAILED NOTES ON ALL FUNDS – Continued

E. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at June 30, 2009, is presented below:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Permanent Fund</u>
Reserved for:					
Perpetual Care	\$ -	\$ -	\$ -	\$ -	\$ 214,080
Prepaid Expenditures	66,536	17,198	-	-	-
Debt Service	-	-	5,372	-	-
Total Reserved	<u>66,536</u>	<u>17,198</u>	<u>5,372</u>	-	<u>214,080</u>
Unreserved:					
Designated for Subsequent Year's Expenditures	21,831	111,743	-	-	-
Undesignated	<u>382,356</u>	<u>163,191</u>	-	<u>313,162</u>	-
Total Fund Balance	<u>\$ 470,723</u>	<u>\$ 292,132</u>	<u>\$ 5,372</u>	<u>\$ 313,162</u>	<u>\$ 214,080</u>

F. 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 2008 tax roll:

<u>Purpose</u>	<u>Authorization</u>	<u>Authorized Rate</u>	<u>Per \$1,000 of State Equalized Value</u>		
			<u>Authorized Rate Post "Roll Back"</u>	<u>Rate Levied</u>	<u>Tax Margin</u>
Operating	State Law	20.00	12.0923	9.8000	2.2923
Debt	Voted	-	-	1.0493	-
Debt	Voted	-	-	1.2576	-

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2009

IV. DETAILED NOTES ON ALL FUNDS – Continued

F. 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, 2008 Township tax levy is paid by residents through February 2009. The Township remits its payment to the Village through June 2009, which will be used to replace the July 1, 2009 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 (MERS), 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, 2008.

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2009

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, 2006 as follows:

General - Union	8.61%
General Non-Union	16.05%
Police	6.79%
Police-Dispatchers**	\$1,123 per month

**No longer includes active employees.

c. Annual Pension Cost

During the fiscal year ended June 30, 2009, the Village's contributions totaling \$100,373 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2006. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information

Fiscal Year Ended <u>June 30,</u>	Valuation Date <u>Dec. 31</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2007	2004	\$ 106,244	100%	\$-0-
2008	2005	114,137	100%	-0-
2009	2006	100,373	100%	-0-

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2009

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

2. Defined Contribution Pension Plan

Effective for all employees hired after November 1, 2008, the Village has established a defined contribution pension plan with the Michigan Municipal Employees' Retirement System (MERS). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Village contributes 7% of the employees' gross earnings, and the employees are required to contribute 5%. Employer contributions become vested 25% at 3 years, 50% at 5 years, and 100% at 6 years of service. As of June 30, 2009, there are 5 employees in the defined contribution plan. The Village's contribution for the current year was \$3,126.

As established by contract approved by the Village Council, the Village contributes to a deferred compensation plan administered by I.C.M.A. for the Village Manager. Voluntary contributions made by participants and employer contributions vest immediately as provided by the plan. The Village contributes an amount equal to 9% of the employee's gross earnings. During the current fiscal year the Village's contributions amounted to \$5,850.

3. Post Retirement Health Care Benefits

The Village provides health care benefits to 8 retirees in accordance with their respective labor contracts. The Village includes these retirees and their dependents in its insured health care plan, with four having no contribution required by the participants and four that have 25% contribution requirements. Expenditures for post employment health care benefits are recognized as the insurance premiums become due. During the year, this amounted to \$96,395, net of participant contributions.

Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Post employment Benefits Other Than Pensions*. The new pronouncement requires recognizing the cost of retiree health care, as well as any other post employment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the fiscal year ending June 30, 2010.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2009

V. OTHER INFORMATION – Continued

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, 720 James Hunt Dr., PO Box 96, Oxford, Michigan 48371.

VILLAGE OF LAKE ORION
Required Supplementary Information – (Unaudited)
Defined Benefit Pension Plans – Trend Information
For the Year Ended June 30, 2009

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
12/31/05	2,976,858	3,828,505	851,647	78	797,523	107
12/31/06	3,073,182	3,889,352	816,170	79	826,567	99
12/31/07	3,207,644	3,931,902	754,258	81	905,082	83
12/31/08	3,249,279	3,946,549	697,270	82	834,509	84

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2008 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%	4.5 - 12.9%
Cost of living adjustments	None

VILLAGE OF LAKE ORION
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property Taxes	\$ 969,000	\$ 969,000	\$ 970,070	\$ 1,070
Penalties and Interest	14,000	14,000	14,805	805
In Lieu of Taxes	23,000	23,000	23,703	703
Special Assessments	5,500	5,500	6,212	712
Intergovernmental - Federal/CDBG	17,900	17,900	16,625	(1,275)
Intergovernmental - Federal/NSP	-	-	3,515	3,515
Intergovernmental - State	237,000	237,000	230,008	(6,992)
Charges for Services	179,000	179,000	179,553	553
Interest Earnings	18,000	18,000	22,815	4,815
Administration Fees	124,200	124,200	124,200	-
Other Revenues	9,000	9,000	37,710	28,710
Total Revenues	<u>1,596,600</u>	<u>1,596,600</u>	<u>1,629,216</u>	<u>32,616</u>
<u>Expenditures:</u>				
General Government:				
Village Council	5,000	5,000	4,250	750
Village Manager	102,500	102,500	101,484	1,016
Clerk	110,066	110,066	107,511	2,555
Treasurer	139,924	139,924	136,721	3,203
Municipal Building	155,714	155,714	148,586	7,128
Data Processing	7,500	7,500	5,399	2,101
Professional Services	67,800	67,800	50,309	17,491
	<u>588,504</u>	<u>588,504</u>	<u>554,260</u>	<u>34,244</u>
Public Works:				
Sanitation	153,000	153,000	152,928	72
Street Lighting	42,500	42,500	37,850	4,650
	<u>195,500</u>	<u>195,500</u>	<u>190,778</u>	<u>4,722</u>
Health and Welfare:				
Community Development Block Grant	17,900	17,900	17,395	505
Community and Economic Development:				
Planning and Zoning	85,850	85,850	74,008	11,842
Recreation and Cultural:				
Parks and Recreation	39,300	39,300	35,739	3,561
Other Functions:				
Insurance	60,000	60,000	58,926	1,074
Community Promotion	2,500	2,500	1,724	776
	<u>62,500</u>	<u>62,500</u>	<u>60,650</u>	<u>1,850</u>
Total Expenditures	<u>989,554</u>	<u>989,554</u>	<u>932,830</u>	<u>56,724</u>
Excess of Revenues Over Expenditures	607,046	607,046	696,386	89,340
Other Financing Uses:				
Operating Transfers Out	(663,000)	(674,000)	(674,000)	-
Net Change in Fund Balance	(55,954)	(66,954)	22,386	89,340
Fund Balance - July 1	448,337	448,337	448,337	-
Fund Balance - June 30	<u>\$ 392,383</u>	<u>\$ 381,383</u>	<u>\$ 470,723</u>	<u>\$ 89,340</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Equipment Rental	110,000	110,000	112,685	2,685
Cemetery	38,000	38,000	42,452	4,452
Interest Income	2,000	2,000	1,339	(661)
Other	-	-	114	114
Total Revenues	<u>180,000</u>	<u>180,000</u>	<u>186,590</u>	<u>6,590</u>
Expenditures:				
Wages and Benefits	357,979	357,979	315,653	42,326
Repairs and Maintenance	15,500	15,500	12,703	2,797
Other	1,500	1,500	1,007	493
Cemetery	71,500	71,500	56,577	14,923
Phase II Stormwater	21,000	21,000	18,673	2,327
Total Expenditures	<u>467,479</u>	<u>467,479</u>	<u>404,613</u>	<u>62,866</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(287,479)</u>	<u>(287,479)</u>	<u>(218,023)</u>	<u>69,456</u>
Other Financing Sources:				
Transfers In	<u>192,000</u>	<u>192,000</u>	<u>192,000</u>	<u>-</u>
Net Change in Fund Balance	(95,479)	(95,479)	(26,023)	69,456
Fund Balance, July 1	<u>123,159</u>	<u>123,159</u>	<u>123,159</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 27,680</u>	<u>\$ 27,680</u>	<u>\$ 97,136</u>	<u>\$ 69,456</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental-State	\$ 4,000	\$ 4,000	\$ 3,968	\$ (32)
Intergovernmental-Local	294,800	294,800	291,058	(3,742)
Fines and Forfeitures	72,000	72,000	50,825	(21,175)
Interest Income	800	800	520	(280)
Other	130,000	130,000	110,390	(19,610)
Total Revenues	<u>501,600</u>	<u>501,600</u>	<u>456,761</u>	<u>(44,839)</u>
<u>Expenditures:</u>				
Wages and Benefits	761,890	761,890	735,898	25,992
Other	152,308	152,308	133,488	18,820
Total Expenditures	<u>914,198</u>	<u>914,198</u>	<u>869,386</u>	<u>44,812</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(412,598)</u>	<u>(412,598)</u>	<u>(412,625)</u>	<u>(27)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	<u>336,000</u>	<u>336,000</u>	<u>336,000</u>	<u>-</u>
Net Change in Fund Balance	(76,598)	(76,598)	(76,625)	(27)
Fund Balance, July 1	<u>102,943</u>	<u>102,943</u>	<u>102,943</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 26,345</u>	<u>\$ 26,345</u>	<u>\$ 26,318</u>	<u>\$ (27)</u>

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF LAKE ORION
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project Flint Street</u>	<u>Permanent Fund Cemetery</u>	<u>Total</u>
<u>ASSETS</u>					
Cash	\$ 154,833	\$ 5,372	\$ 329,161	\$ 210,643	\$ 700,009
Accounts Receivable	-	-	-	3,437	3,437
Due from State	<u>23,510</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,510</u>
Total Assets	<u>\$ 178,343</u>	<u>\$ 5,372</u>	<u>\$ 329,161</u>	<u>\$ 214,080</u>	<u>\$ 726,956</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	<u>\$ 9,665</u>	<u>\$ -</u>	<u>\$ 15,999</u>	<u>\$ -</u>	<u>\$ 25,664</u>
Fund Balance:					
Reserved for Debt Service	-	5,372	-	-	5,372
Reserved for Perpetual Care	-	-	-	214,080	214,080
Unreserved	<u>168,678</u>	<u>-</u>	<u>313,162</u>	<u>-</u>	<u>481,840</u>
Total Fund Balance	<u>168,678</u>	<u>5,372</u>	<u>313,162</u>	<u>214,080</u>	<u>701,292</u>
Total Liabilities and Fund Balance	<u>\$ 178,343</u>	<u>\$ 5,372</u>	<u>\$ 329,161</u>	<u>\$ 214,080</u>	<u>\$ 726,956</u>

VILLAGE OF LAKE ORION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project Flint Street</u>	<u>Permanent Fund Cemetery</u>	<u>Total</u>
<u>Revenues:</u>					
Property Tax Revenue	\$ -	\$ 170,601	\$ -	\$ -	\$ 170,601
State-Shared Revenue	145,596	-	-	-	145,596
Interest Earned	1,218	310	3,073	6,238	10,839
Other Revenues	79,265	-	-	10,640	89,905
Total Revenues	<u>226,079</u>	<u>170,911</u>	<u>3,073</u>	<u>16,878</u>	<u>416,941</u>
<u>Expenditures:</u>					
Highways, Streets, Sidewalks and Other Maintenance	178,787	-	-	-	178,787
Other	1,808	-	21,637	-	23,445
Debt Service:					
Principal	-	155,000	-	-	155,000
Interest and Other Charges	-	45,668	-	-	45,668
Capital Outlay	109,378	-	-	-	109,378
Total Expenditures	<u>289,973</u>	<u>200,668</u>	<u>21,637</u>	<u>-</u>	<u>512,278</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(63,894)</u>	<u>(29,757)</u>	<u>(18,564)</u>	<u>16,878</u>	<u>(95,337)</u>
Other Financing Sources (Uses):					
Operating Transfers In	146,000	15,000	-	-	161,000
Operating Transfers Out	(15,000)	-	-	-	(15,000)
Operating Transfers In-Component Unit	-	-	100,000	-	100,000
Total Other Financing Sources (Uses)	<u>131,000</u>	<u>15,000</u>	<u>100,000</u>	<u>-</u>	<u>246,000</u>
Change in Fund Balance	67,106	(14,757)	81,436	16,878	150,663
Fund Balance - July 1	<u>101,572</u>	<u>20,129</u>	<u>231,726</u>	<u>197,202</u>	<u>550,629</u>
Fund Balance - June 30	<u>\$ 168,678</u>	<u>\$ 5,372</u>	<u>\$ 313,162</u>	<u>\$ 214,080</u>	<u>\$ 701,292</u>

VILLAGE OF LAKE ORION
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2009

	<u>Major Street</u>	<u>Local Street</u>	<u>Capital Improvement</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 11,568	\$ 37,325	\$ 105,940	\$ 154,833
Due from State	<u>16,293</u>	<u>7,217</u>	<u>-</u>	<u>23,510</u>
Total Assets	<u>\$ 27,861</u>	<u>\$ 44,542</u>	<u>\$ 105,940</u>	<u>\$ 178,343</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ <u>1,135</u>	\$ <u>-</u>	\$ <u>8,530</u>	\$ <u>9,665</u>
Fund Balance:				
Undesignated	<u>26,726</u>	<u>44,542</u>	<u>97,410</u>	<u>168,678</u>
Total Liabilities and Fund Balance	<u>\$ 27,861</u>	<u>\$ 44,542</u>	<u>\$ 105,940</u>	<u>\$ 178,343</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, 2009

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Capital Improvement</u>	<u>Total</u>
<u>Revenues:</u>				
State-Shared Revenue	\$ 100,907	\$ 44,689	\$ -	\$ 145,596
Interest Earned	70	465	683	1,218
Other Revenues	-	2,407	76,858	79,265
Total Revenues	<u>100,977</u>	<u>47,561</u>	<u>77,541</u>	<u>226,079</u>
<u>Expenditures:</u>				
Highways, Streets, Sidewalks and Other Maintenance	85,590	93,197	-	178,787
Other	-	-	1,808	1,808
Capital Outlay	-	-	109,378	109,378
Total Expenditures	<u>85,590</u>	<u>93,197</u>	<u>111,186</u>	<u>289,973</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>15,387</u>	<u>(45,636)</u>	<u>(33,645)</u>	<u>(63,894)</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	60,000	86,000	146,000
Operating Transfers Out	-	(15,000)	-	(15,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>45,000</u>	<u>86,000</u>	<u>131,000</u>
Change in Fund Balance	15,387	(636)	52,355	67,106
Fund Balance - July 1	<u>11,339</u>	<u>45,178</u>	<u>45,055</u>	<u>101,572</u>
Fund Balance - June 30	<u>\$ 26,726</u>	<u>\$ 44,542</u>	<u>\$ 97,410</u>	<u>\$ 168,678</u>

VILLAGE OF LAKE ORION
Nonmajor Debt Service Funds
Combining Balance Sheet
June 30, 2009

	<u>1998</u> <u>G.O. Bonds</u>	<u>Longpointe</u> <u>Special</u> <u>Assessment</u>	<u>North Shore</u> <u>Bridge</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ <u>4,386</u>	\$ <u>-</u>	\$ <u>986</u>	\$ <u>5,372</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balance:				
Reserved for Debt Service	<u>4,386</u>	<u>-</u>	<u>986</u>	<u>5,372</u>
Total Liabilities and Fund Balance	\$ <u>4,386</u>	\$ <u>-</u>	\$ <u>986</u>	\$ <u>5,372</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, 2009

	<u>1998</u> <u>G.O. Bonds</u>	<u>Longpointe</u> <u>Special</u> <u>Assessment</u>	<u>North Shore</u> <u>Bridge</u>	<u>Total</u>
<u>Revenues:</u>				
Property Taxes	\$ 170,601	\$ -	\$ -	\$ 170,601
Interest Income	<u>282</u>	<u>20</u>	<u>8</u>	<u>310</u>
Total Revenues	<u>170,883</u>	<u>20</u>	<u>8</u>	<u>170,911</u>
<u>Expenditures:</u>				
Principal	145,000	-	10,000	155,000
Interest and Other Charges	<u>37,737</u>	<u>3,281</u>	<u>4,650</u>	<u>45,668</u>
Total Expenditures	<u>182,737</u>	<u>3,281</u>	<u>14,650</u>	<u>200,668</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(11,854)</u>	<u>(3,261)</u>	<u>(14,642)</u>	<u>(29,757)</u>
<u>Other Financing Sources (Uses):</u>				
Operating Transfer In	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>
Change in Fund Balance	(11,854)	(3,261)	358	(14,757)
Fund Balance - July 1	<u>16,240</u>	<u>3,261</u>	<u>628</u>	<u>20,129</u>
Fund Balance - June 30	\$ <u>4,386</u>	\$ <u>-</u>	\$ <u>986</u>	\$ <u>5,372</u>

VILLAGE OF LAKE ORION
Combined Balance Sheet
Component Unit - DDA
June 30, 2009

	<u>Downtown Development Authority</u>	<u>DDA Property Acquisition Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash	\$ 234,237	\$ 79,357	\$ 313,594
Accounts Receivable	4,480	-	4,480
Delinquent Taxes Receivable	4,010	-	4,010
Prepaid Expenditures	5,750	745	6,495
	<hr/>	<hr/>	<hr/>
Total Assets	\$ <u>248,477</u>	\$ <u>80,102</u>	\$ <u>328,579</u>

Liabilities and Fund Balance

Liabilities:

Accounts Payable	\$ 33,027	\$ 330	\$ 33,357
Deferred Revenue	4,010	-	4,010
Total Liabilities	<hr/> 37,037	<hr/> 330	<hr/> 37,367
Fund Balance	<hr/> 211,440	<hr/> 79,772	<hr/> 291,212
Total Liabilities and Fund Balance	\$ <u>248,477</u>	\$ <u>80,102</u>	\$ <u>328,579</u>

Reconciliation to Statement of Net Assets (page 11):

Fund Balance at June 30, 2009	\$ 291,212
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,611,823
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<hr/> (149,000)
Net Assets of Governmental Activities-Component Unit	\$ <u>1,754,035</u>

VILLAGE OF LAKE ORION
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
Component Unit - DDA
June 30, 2009

	<u>Downtown Development Authority</u>	<u>DDA Property Acquisition Fund</u>	<u>Total</u>
<u>Revenues</u>			
Property Taxes	\$ 674,981	\$ -	\$ 674,981
Intergovernmental:			
Federal, State and Local	68,430	-	68,430
Charges for Services	27,236	-	27,236
Interest	9,356	1,235	10,591
Other	21,012	-	21,012
Total Revenues	<u>801,015</u>	<u>1,235</u>	<u>802,250</u>
<u>Expenditures</u>			
Community Development	458,556	31,357	489,913
Debt Service:			
Principal	-	75,000	75,000
Interest and Other Charges	-	10,815	10,815
Capital Outlay	304,901	-	304,901
Total Expenditures	<u>763,457</u>	<u>117,172</u>	<u>880,629</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>37,558</u>	<u>(115,937)</u>	<u>(78,379)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	-	75,000	75,000
Transfers Out	(75,000)	-	(75,000)
Transfer Out - Primary Government	(100,000)	-	(100,000)
Total Other Financing Sources (Uses)	<u>(175,000)</u>	<u>75,000</u>	<u>(100,000)</u>
Net Change in Fund Balance	(137,442)	(40,937)	(178,379)
Fund Balance - Beginning	<u>348,882</u>	<u>120,709</u>	<u>469,591</u>
Fund Balance - Ending	<u>\$ 211,440</u>	<u>\$ 79,772</u>	<u>\$ 291,212</u>

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

Net Change in Fund Balance at June 30, 2009 \$ (178,379)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents capital outlay in excess of depreciation in the current period. 252,656

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 plus additional debt incurred. 75,000

Change in Net Assets-Component Unit \$ 149,277

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Governmental Funds
June 30, 2009

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:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
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>\$ 720,000</u>	<u>\$ 72,653</u>	<u>\$ 792,653</u>

2003 Michigan Transportation Fund Bonds

Date of Issue: May 1, 2003

Total Issue \$ 175,000

Interest Due April 1 and October 1

Due As Follows:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
5.00%	10/01/09	\$ 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>\$ 115,000</u>	<u>\$ 31,250</u>	<u>\$ 146,250</u>

2006 DDA Land Contract

Date of Loan: November 14, 2006

Total Loan \$ 299,000

Due As Follows:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
6.00%	11/14/09	\$ 75,000	\$ 6,315	\$ 81,315
6.00%	11/14/10	74,000	1,850	75,850
		<u>\$ 149,000</u>	<u>\$ 8,165</u>	<u>\$ 157,165</u>

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Proprietary Fund
June 30, 2009

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>
4.90%	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>\$ 1,095,000</u>	<u>\$ 290,690</u>	<u>\$ 1,385,690</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>
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>\$ 550,000</u>	<u>\$ 48,516</u>	<u>\$ 598,516</u>

POST, SMYTHE, LUTZ and ZIEL

of Plymouth LLP
Certified Public Accountants

1034 West Ann Arbor Trail
P.O. Box 5520
Plymouth, MI 48170-1502

Dennis M. Siegner, C.P.A., C.V.A.
David R. Williamson, C.P.A.
Jane F. Wang, C.P.A.
Rana M. Emmons, C.P.A.

Telephone: (734) 453-8770
Fax: (734) 453-0312

Jennifer A. Galofaro, C.P.A., C.V.A.
Susan H. Bertram, C.P.A.

September 4, 2009

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

We have audited the financial statements of the Village of Lake Orion for the year ended June 30, 2009, and have issued our report thereon dated September 4, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 31, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 31, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Lake Orion are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the Village during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Estimates of the allowance for doubtful accounts for property tax collections are based on historical collection statistics.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements during our audit.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 4, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

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

Sincerely,

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

Post, Smythe, Lutz and Ziel of Plymouth LLP
Certified Public Accountants