

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Lake Orion	County Oakland
Fiscal Year End June 30, 2006	Opinion Date September 7, 2006	Date Audit Report Submitted to State November 16, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Post, Smythe, Lutz and Ziel LLP		Telephone Number 734-453-8770	
Street Address 1034 W. Ann Arbor Trail		City Plymouth	State Zip MI 48170
Authorizing CPA Signature 	Printed Name Rana M. Emmons, CPA		License Number 22716

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

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2006**

VILLAGE OF LAKE ORION
For the Year Ended June 30, 2006
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
Statement of Changes in Fiduciary Net Assets	21
Notes to Financial Statements	22-41

VILLAGE OF LAKE ORION
For the Year Ended June 30, 2006

Table of Contents

	<u>Page</u>
Required Supplementary Information:	
Defined Benefit Pension Plans – Trend Information	42
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	43
Statement of Revenues , Expenditures and Changes in Fund Balance - Budget and Actual – Public Works Fund	44
Statement of Revenues , Expenditures and Changes in Fund Balance - Budget and Actual – Police Fund	45
Other Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds.....	47
Nonmajor Special Revenue Funds - Combining Balance Sheet	48
Nonmajor Special Revenue Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	49
Nonmajor Debt Service Funds - Combining Balance Sheet	50
Nonmajor Debt Service Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	50
Nonmajor Capital Project Funds - Combining Balance Sheet.....	51
Nonmajor Capital Project Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	51
Combining Balance Sheet – Component Unit-DDA	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Component Unit-DDA	53
Schedule of Indebtedness – Governmental Funds.....	54
Schedule of Indebtedness – Proprietary Fund	55

FINANCIAL SECTION

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Independent Auditor's Report

September 7, 2006

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, 2006, 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, 2006, 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 7, 2006

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,



POST, SMYTHE, LUTZ and ZIEL LLP
Certified Public Accountants



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Management's Discussion and Analysis

As management of the Village of Lake Orion, we offer readers of the Village of Lake Orion's financial statements this narrative overview and analysis of the financial activities of the Village of Lake Orion for the fiscal year ended June 30, 2006. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The assets of the Village of Lake Orion exceeded its liabilities at the close of the most recent fiscal year by \$10,076,863 (*net assets*). Of this amount, \$5,144,713 (*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 \$243,053.
- At the close of the most recent fiscal year, the Village of Lake Orion's governmental funds reported combined ending fund balances of \$966,835. Approximately 75 percent of this total amount, \$724,318 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 \$469,685, or 38 percent of total general fund expenditures.
- The Village of Lake Orion's total debt, including the DDA, decreased by \$421,397 (10 percent) during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-41 of this report.

Government-wide Financial Analysis

Assets exceeded liabilities by \$10,076,863 at the close of the most recent fiscal year. Of the Village of Lake Orion's net assets, 45 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	
	2006	2005	2006	2005	2006	2005
	Current and other assets	\$ 1,171,612	\$ 1,231,792	\$ 4,722,459	\$ 4,797,315	\$ 5,894,071
Capital Assets	3,062,367	2,901,541	5,303,510	5,389,066	8,365,877	8,290,607
Total Assets	<u>4,233,979</u>	<u>4,133,333</u>	<u>10,025,969</u>	<u>10,186,381</u>	<u>14,259,948</u>	<u>14,319,714</u>
Long-term liabilities outstanding	1,506,094	1,592,491	2,320,535	2,519,210	3,826,629	4,111,701
Other liabilities	204,777	224,397	151,679	149,806	356,456	374,203
Total Liabilities	<u>1,710,871</u>	<u>1,816,888</u>	<u>2,472,214</u>	<u>2,669,016</u>	<u>4,183,085</u>	<u>4,485,904</u>
Net Assets:						
Invested in capital assets, net of related debt	1,556,273	1,309,050	2,995,608	2,882,589	4,551,881	4,191,639
Restricted	222,169	187,349	158,100	207,236	380,269	394,585
Unrestricted	744,666	820,046	4,400,047	4,427,540	5,144,713	5,247,586
Total Net Assets	<u>\$ 2,523,108</u>	<u>\$ 2,316,445</u>	<u>\$ 7,553,755</u>	<u>\$ 7,517,365</u>	<u>\$ 10,076,863</u>	<u>\$ 9,833,810</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 \$243,053 during the current fiscal year.

Governmental activities. Governmental activities increased net assets by \$206,663, accounting for 85 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	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	\$ 626,581	\$ 695,089	\$ 869,625	\$ 908,211	\$ 1,496,206	\$ 1,603,300
Operating Grants & Contributions	435,056	563,538	-	-	435,056	563,538
Capital Grants & Contributions	-	-	38,484	181,078	38,484	181,078
General Revenues:						
Property Taxes	1,083,187	1,003,195	153,064	143,975	1,236,251	1,147,170
State Shared Revenues	241,309	243,325	-	-	241,309	243,325
Unrestricted Investment Earnings	47,067	25,467	181,039	103,860	228,106	129,327
Total Revenues	<u>2,433,200</u>	<u>2,530,614</u>	<u>1,242,212</u>	<u>1,337,124</u>	<u>3,675,412</u>	<u>3,867,738</u>
Expenses:						
General Government	678,403	622,502	-	-	678,403	622,502
Public Safety	845,764	793,185	-	-	845,764	793,185
Public Works	747,071	787,143	-	-	747,071	787,143
Health and Welfare	2,454	2,200	-	-	2,454	2,200
Community Development	63,055	87,996	-	-	63,055	87,996
Recreation and Cultural	54,515	37,595	-	-	54,515	37,595
Interest on Long-Term Debt	60,275	65,287	-	-	60,275	65,287
Water and Sewer	-	-	1,205,822	1,133,973	1,205,822	1,133,973
Total Expenses	<u>2,451,537</u>	<u>2,395,908</u>	<u>1,205,822</u>	<u>1,133,973</u>	<u>3,657,359</u>	<u>3,529,881</u>
Change in Net Assets before Transfers	(18,337)	134,706	36,390	203,151	18,053	337,857
Transfers	225,000	55,000	-	-	225,000	55,000
Change in Net Assets	<u>\$ 206,663</u>	<u>\$ 189,706</u>	<u>\$ 36,390</u>	<u>\$ 203,151</u>	<u>\$ 243,053</u>	<u>\$ 392,857</u>

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

- Increase due to reduction in Long term debt of \$86,000.
- Increase of Capital Assets net of depreciation of \$161,000.
- Increase from property tax revenue of \$80,000 (assessed value increase less millage rate reduction).
- Increased Investment earnings of \$21,000.

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

- Employee benefits increased \$61,000 (Health insurance \$55,000 and pension \$6,000).
- Employee wages and retro wages due to settlement of Labor Contracts increased \$60,000.
- Energy Expense Increases (Utilities, Gas/Oil) of \$17,000.

Business-type activities. Business-type activities increased net assets by \$36,390, accounting for 15 percent of the total growth in net assets.

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 6-30-2005	242,437	91,481	240,218	433,259	1,007,395
Fund Balance 6-30-2006	506,996	22,271	4,256	433,312	966,835
Net Change in Fund Balance	264,559	(69,210)	(235,962)	53	(40,560)

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$966,835, approximately 75 percent of this total amount (\$724,318) 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 (\$11,412), 2) to pay debt service (\$25,057), 3) to generate income to pay for the perpetual care of the municipal cemetery (\$173,755) or 4) for other restricted purposes (\$32,293).

Total governmental fund balances decreased \$40,560 for the 2005-2006 fiscal year as compared to the 2004-2005 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 \$469,685, while total fund balance was \$506,996. Unreserved fund balance represents 38 percent of total general fund expenditures, while total fund balance represents 41 percent of that same amount.

The fund balance of the Village of Lake Orion's General Fund increased by \$264,559 during the current fiscal year. This increase is mostly attributable to increased property tax revenue, investment earnings revenue, and the pull through of last year's police township revenue; these revenue increases were offset by an increase in wages, health care, and energy expenses.

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

The Public Works Fund has a total fund balance of \$22,271; unreserved fund balance in the Public Works Fund was \$15,877. The total Public Works fund balance represents a decrease of \$69,210 in comparison with the prior year.

The Police Fund has a total fund balance of \$4,256; unreserved fund balance in the Police Fund was \$4,256. The total Police fund balance represents a decrease of \$235,962 in comparison with the prior year. This decrease is due to the pull through to the General Fund of last year's police township revenue.

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

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$4,400,047.

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

Capital assets. The Village of Lake Orion's investment in capital assets for its governmental and business type activities is \$7,735,378 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, machinery and equipment, park facilities, roads, and bridges. The increase in the Village of Lake Orion's investment in capital assets for the current fiscal year was 6 percent for governmental activities, and a 1 percent decrease in business-type activities.

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

- Atwater Street Construction (\$257,491)
- Atwater Street Water Lines (\$111,984)
- Police Dispatch Remodeling (\$31,421)

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 \$3,585,000. Of this amount, \$1,260,000 is governmental, \$2,325,000 is business-type. The Village of Lake Orion's total bond debt decreased by \$455,000 (11 percent) during the current fiscal year.

The Village of Lake Orion received an "A" rating from Standard & Poor's in 2005 for bond debt.

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

Economic Factors and Next Year's Budgets and Rates

Property taxes make up over 50 percent of our General Fund Budget. Taxable values experienced a 6 percent increase for 2006/2007.

The Village experiences annual increases in employee health and pension expenses above the rate of inflation. In an effort to maintain financial stability, the Village implemented a new health insurance plan for all active employees and some retirees in September, 2006. The Village is currently also reviewing program adjustments in the area of pensions.

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 operational loss of \$230,759. In July, 2006 the Village changed the rate structure for these services based on a Water and Sewer Rate Study completed by Bendzinski & Co.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

VILLAGE OF LAKE ORION
Statement of Net Assets
June 30, 2006

	Primary Government			Component Unit - DDA
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 933,980	\$ 3,975,703	\$ 4,909,683	\$ 313,473
Receivables (net of allowance for uncollectibles)	190,348	307,849	498,197	6,229
Due from Other Governmental Units	25,669	-	25,669	-
Inventory	-	13,707	13,707	-
Prepaid Expenditures	21,615	-	21,615	3,750
Restricted Assets - Cash and Cash Equivalents	-	425,200	425,200	-
Capital Assets (net of accumulated depreciation)	3,062,367	4,673,011	7,735,378	912,441
Intangible Assets (net of accumulated amortization)	-	630,499	630,499	-
Total Assets	<u>4,233,979</u>	<u>10,025,969</u>	<u>14,259,948</u>	<u>1,235,893</u>
LIABILITIES				
Accounts Payable	79,617	136,463	216,080	26,346
Accrued Liabilities	18,552	639	19,191	-
Deferred Revenue	106,608	1,560	108,168	3,384
Liabilities payable from restricted assets	-	98,017	98,017	-
Noncurrent Liabilities:				
Due within one year	130,000	130,000	260,000	-
Due in more than one year	1,376,094	2,105,535	3,481,629	-
Total Liabilities	<u>1,710,871</u>	<u>2,472,214</u>	<u>4,183,085</u>	<u>29,730</u>
NET ASSETS				
Invested in Capital Assets, net of related debt	1,556,273	2,995,608	4,551,881	912,441
Restricted for:				
Highways and Streets	23,357	-	23,357	-
Debt Service	25,057	158,100	183,157	-
Perpetual Care	173,755	-	173,755	-
Unrestricted	744,666	4,400,047	5,144,713	293,722
Total Net Assets	<u>\$ 2,523,108</u>	<u>\$ 7,553,755</u>	<u>\$ 10,076,863</u>	<u>\$ 1,206,163</u>

VILLAGE OF LAKE ORION
Statement of Activities
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 678,403	\$ 127,452	\$ -	\$ -
Public Safety	845,764	145,150	277,144	-
Public Works	747,071	331,634	155,458	-
Health and Welfare	2,454	-	2,454	-
Community Development	63,055	16,060	-	-
Recreation and Cultural	54,515	6,285	-	-
Interest on Long-Term Debt	60,275	-	-	-
Total Governmental Activities	<u>2,451,537</u>	<u>626,581</u>	<u>435,056</u>	<u>-</u>
Business-type Activities:				
Water and Sewer	<u>1,205,822</u>	<u>869,625</u>	<u>-</u>	<u>38,484</u>
Total Primary Government	<u>\$ 3,657,359</u>	<u>\$ 1,496,206</u>	<u>\$ 435,056</u>	<u>\$ 38,484</u>
Component Units	<u>\$ 517,146</u>	<u>\$ 20,844</u>	<u>\$ 60,077</u>	<u>\$ 9,707</u>

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

Change in Net Assets
Net Assets - Beginning

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component
Governmental	Business-type	Total	Unit -
Activities	Activities		DDA
\$ (550,951)	\$ -	\$ (550,951)	\$ -
(423,470)	-	(423,470)	-
(259,979)	-	(259,979)	-
-	-	-	-
(46,995)	-	(46,995)	-
(48,230)	-	(48,230)	-
(60,275)	-	(60,275)	-
<u>(1,389,900)</u>	<u>-</u>	<u>(1,389,900)</u>	<u>-</u>
-	(297,713)	(297,713)	-
<u>(1,389,900)</u>	<u>(297,713)</u>	<u>(1,687,613)</u>	<u>-</u>
-	-	-	(426,518)
1,083,187	153,064	1,236,251	591,495
241,309	-	241,309	-
47,067	181,039	228,106	17,570
225,000	-	225,000	(225,000)
<u>1,596,563</u>	<u>334,103</u>	<u>1,930,666</u>	<u>384,065</u>
206,663	36,390	243,053	(42,453)
<u>2,316,445</u>	<u>7,517,365</u>	<u>9,833,810</u>	<u>1,248,616</u>
<u>\$ 2,523,108</u>	<u>\$ 7,553,755</u>	<u>\$ 10,076,863</u>	<u>\$ 1,206,163</u>

VILLAGE OF LAKE ORION
Balance Sheet
Governmental Funds
June 30, 2006

	<u>General</u>	<u>Public Works</u>	<u>Police</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 474,080	\$ 30,873	\$ 9,381	\$ 419,646	\$ 933,980
Receivables (net of allowance for uncollectibles)	101,026	401	78,696	1,289	181,412
Special Assessment Receivable	-	-	-	8,936	8,936
Due from State	-	-	-	25,669	25,669
Advance to Other Funds	8,936	-	-	-	8,936
Prepaid Expenditures	5,018	6,394	10,203	-	21,615
Total Assets	\$ 589,060	\$ 37,668	\$ 98,280	\$ 455,540	\$ 1,180,548
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 47,326	\$ 1,950	\$ 17,049	\$ 13,292	\$ 79,617
Accrued and Other Liabilities	2,326	13,447	2,779	-	18,552
Advance from Other Funds	-	-	-	8,936	8,936
Deferred Revenue	32,412	-	74,196	-	106,608
Total Liabilities	82,064	15,397	94,024	22,228	213,713
Fund Balances:					
Reserved for:					
Highways and Streets	23,357	-	-	-	23,357
Perpetual Care	-	-	-	173,755	173,755
Advances	8,936	-	-	-	8,936
Prepays	5,018	6,394	-	-	11,412
Debt Service	-	-	-	25,057	25,057
Unreserved, reported in:					
General Fund	469,685	-	-	-	469,685
Special Revenue Funds	-	15,877	4,256	161,908	182,041
Capital Projects Funds	-	-	-	72,592	72,592
Total Fund Balance	506,996	22,271	4,256	433,312	966,835
Total Liabilities and Fund Balance	\$ 589,060	\$ 37,668	\$ 98,280	\$ 455,540	

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.

3,062,367

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

(1,506,094)

Net Assets of Governmental Activities

\$ 2,523,108

VILLAGE OF LAKE ORION
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2006

	<u>General</u>	<u>Public Works</u>	<u>Police</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property Taxes	\$ 916,312	\$ -	\$ -	\$ 166,875	\$ 1,083,187
Intergovernmental:					
Federal, State and Local	243,763	-	250,684	155,458	649,905
Charges for Services	181,870	148,561	-	-	330,431
Fines and Forfeitures	-	-	57,675	-	57,675
Special Assessments	2,979	-	-	-	2,979
Interest and Rent	24,390	2,300	3,694	16,683	47,067
Other	124,473	-	113,935	23,548	261,956
Total Revenues	<u>1,493,787</u>	<u>150,861</u>	<u>425,988</u>	<u>362,564</u>	<u>2,433,200</u>
Expenditures					
Current:					
General Government	544,109	-	-	-	544,109
Public Safety	-	-	821,950	-	821,950
Public Works	161,921	340,071	-	169,214	671,206
Health and Welfare	2,454	-	-	-	2,454
Community Development	63,055	-	-	-	63,055
Recreation and Cultural	46,304	-	-	-	46,304
Other Functions	61,385	-	-	7,638	69,023
Debt Service:					
Principal	-	-	-	120,000	120,000
Interest and Other Charges	-	-	-	60,275	60,275
Capital Outlay	-	-	-	300,384	300,384
Total Expenditures	<u>879,228</u>	<u>340,071</u>	<u>821,950</u>	<u>657,511</u>	<u>2,698,760</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>614,559</u>	<u>(189,210)</u>	<u>(395,962)</u>	<u>(294,947)</u>	<u>(265,560)</u>
Other Financing Sources (Uses)					
Transfers In	-	120,000	160,000	165,466	445,466
Transfers Out	(350,000)	-	-	(95,466)	(445,466)
Transfer In - Component Unit	-	-	-	225,000	225,000
Total Other Financing Sources (Uses)	<u>(350,000)</u>	<u>120,000</u>	<u>160,000</u>	<u>295,000</u>	<u>225,000</u>
Net Change in Fund Balance	264,559	(69,210)	(235,962)	53	(40,560)
Fund Balance - Beginning	<u>242,437</u>	<u>91,481</u>	<u>240,218</u>	<u>433,259</u>	<u>1,007,395</u>
Fund Balance - Ending	<u>\$ 506,996</u>	<u>\$ 22,271</u>	<u>\$ 4,256</u>	<u>\$ 433,312</u>	<u>\$ 966,835</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, 2006

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

Net change in fund balance - total governmental funds	\$	(40,560)
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.		160,826
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		<u>86,397</u>
Change in net assets in governmental activities	\$	<u><u>206,663</u></u>

VILLAGE OF LAKE ORION
Balance Sheet
Proprietary Fund
June 30, 2006

		<u>Enterprise Fund</u> <u>Water & Sewer</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$	3,975,703
Accounts Receivable		307,849
Inventory		13,707
Total Current Assets		<u>4,297,259</u>
Restricted Assets - Cash		<u>425,200</u>
Property, Plant and Equipment		8,945,140
Less: Accumulated Depreciation		<u>(4,272,129)</u>
Net Property, Plant and Equipment		<u>4,673,011</u>
Intangible Assets (net of accumulated amortization)		<u>630,499</u>
Total Assets	\$	<u><u>10,025,969</u></u>
<u>LIABILITIES AND EQUITY</u>		
Current Liabilities:		
Accounts Payable	\$	136,463
Compensated Absences Payable		639
Deferred Revenue		1,560
General Obligation Bonds Payable		130,000
Total Current Liabilities		<u>268,662</u>
Current Liabilities Payable from Restricted Assets:		
Revenue Bonds Payable		85,000
Accrued Interest Payable		13,017
Total Current Liabilities Payable from Restricted Assets		<u>98,017</u>
Long-Term Liabilities:		
Compensated Absences Payable		12,633
General Obligation Bonds Payable		830,000
Revenue Bonds Payable (net of unamortized discount)		1,262,902
Total Long-Term Liabilities		<u>2,105,535</u>
Total Liabilities		<u>2,472,214</u>
Equity:		
Invested in Capital Assets, Net of Related Debt		2,995,608
Restricted for Debt Service		158,100
Unrestricted		4,400,047
Total Equity		<u>7,553,755</u>
Total Liabilities and Equity	\$	<u><u>10,025,969</u></u>

VILLAGE OF LAKE ORION
Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary Fund
For the Year Ended June 30, 2006

		Enterprise Fund
		Water & Sewer
<u>Operating Revenues:</u>		
Charges for Services	\$	851,499
Penalty Charges		14,654
Miscellaneous		3,472
Total Operating Revenues		869,625
<u>Operating Expenses:</u>		
Salaries and Fringe Benefits		57,581
Water Purchases		391,375
Sewage Treatment		372,711
General and Administrative		36,810
Supplies		7,112
Contract Services		2,150
Equipment Repairs & Rentals		33,501
Depreciation and Amortization		197,539
Other		1,605
Total Operating Expenses		1,100,384
Operating Income (Loss)		(230,759)
<u>Non-Operating Revenues (Expenses):</u>		
Property Taxes		153,064
Interest Earned		181,039
Interest Expense and Related Fees		(105,438)
Total Non-Operating Revenues (Expenses)		228,665
Income (Loss) before Contributions and Transfers		(2,094)
Capital Contributions - Tap Fees		38,484
Net Income (Loss)		36,390
Fund Equity, Beginning		7,517,365
Fund Equity, Ending	\$	7,553,755

VILLAGE OF LAKE ORION
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2006

	<u>Enterprise Fund</u>
	<u>Water & Sewer</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from customers and users	\$ 862,111
Payments to Suppliers	(837,041)
Payments to Employees	(57,581)
Net Cash Provided (Used) by Operating Activities	(32,511)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Property Taxes Levied	153,064
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Capital Contributions	38,484
Construction	(111,983)
Principal Paid on Capital Debt	(200,000)
Interest Paid on Capital Debt	(104,013)
Net Cash Provided (Used) by Capital and Related Financing Activities	(377,512)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Earned	181,039
Net Increase (Decrease) in Cash and Cash Equivalents	(75,920)
Cash and Cash Equivalents, Beginning	4,476,823
Cash and Cash Equivalents, Ending	\$ 4,400,903
Balance Sheet Classification of Cash and Cash Equivalents:	
Cash and Cash Equivalents	\$ 3,975,703
Restricted Assets	425,200
Total	\$ 4,400,903
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>	
Operating Income (Loss)	\$ (230,759)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization Expense	197,539
(Increase) Decrease in Receivables	(1,064)
Increase (Decrease) in Accounts Payable	9,138
Increase (Decrease) in Accrued Interest Payable	(915)
Increase (Decrease) in Deferred Revenue	(6,450)
Net Cash Provided (Used) by Operating Activities	\$ (32,511)

VILLAGE OF LAKE ORION
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	<u>Pension Trust Fund</u>	<u>Agency Fund</u>
<u>ASSETS</u>		
Cash	\$ -	\$ 119,469
Investments	<u>136,487</u>	<u>-</u>
Total Assets	<u>136,487</u>	<u>119,469</u>
 <u>LIABILITIES</u>		
Due to Other	<u>-</u>	<u>119,469</u>
 <u>NET ASSETS</u>		
Reserved for Employee's Pension Benefits	\$ <u><u>136,487</u></u>	\$ <u><u>-</u></u>

VILLAGE OF LAKE ORION
Statement of Changes in Fiduciary Net Assets
Pension Trust Fiduciary Fund
For the Year Ended June 30, 2006

Additions:	
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	\$ 9,179
Contributions:	
Employer	5,487
Employee	-
Total Additions	<u>14,666</u>
Deductions	<u>-</u>
Net Increase	14,666
Net Assets - Beginning	<u>121,821</u>
Net Assets - Ending	<u>\$ 136,487</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2006

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, 2006

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, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Fiduciary Funds – Continued

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

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

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

Estimates

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2006

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, 2006.

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, 2006 consist of the following:

	<u>Restricted Assets</u>
Revenue Bond Reserve	\$ 201,779
Revenue Bond Debt Retirement	19,994
Revenue Bond Construction	14,589
General Obligation Bonds Construction	30,738
General Obligation Bonds Debt Retirement	<u>158,100</u>
	<u>\$ 425,200</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

5. Capital Assets

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

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

6. Compensated Absences

In accordance with contracts negotiated with the various employee groups of the Village and the Village's internal policy, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The long-term portion of compensated absences related to the governmental funds is a liability recorded in the Statement of Net Assets. This liability is composed of employees who retire and any unused vacation paid upon termination of employment. The total liability at June 30, 2006 is \$271,412.

7. Long-term Obligations

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

7. Long-term Obligations - Continued

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

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

8. Fund Equity

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$1,506,094 difference are as follows:

General Obligation Bonds Payable	\$1,260,000
Compensated Absences Payable	<u>246,094</u>
	<u>\$1,506,094</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2006

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 \$160,826 difference are as follows:

Capital Outlay	\$ 300,384
Depreciation Expense	<u>(139,558)</u>
	<u>\$ 160,826</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 \$86,397 difference are as follows:

Compensated Absences	\$ (33,603)
Principal Repayments:	
General Obligation Bonds	<u>120,000</u>
	<u>\$ 86,397</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, 2006

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

A. Budgetary Information - Continued

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

1. The Village Charter requires two regular council meetings per month. By the second meeting in April, a proposed operating budget must be submitted to the Village Council for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them for the upcoming year.
2. A public hearing and adoption of the budget is required by the second meeting in May.
3. On or before June 15, the tax rate must be set and the budget is legally enacted through passage of a budget resolution (general appropriation act).
4. Formal budgetary integration is employed as a management control device for the General and Special Revenue Funds. Budgets for these funds are prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP). The General Fund budget is adopted at the activity level and the budgets for the Special Revenue Funds are adopted at the fund level.
5. Budget appropriations lapse at year end.
6. The Village Council may authorize supplemental appropriations (budget amendments) during the year. In 2006 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, 2006.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

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

	<u>Final Budget</u>	<u>Actual</u>	Excess Expenditures Over <u>Appropriations</u>
General Fund:			
Professional Services	\$ 72,700	\$ 88,990	\$16,290

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2006

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, 2006, the Village's book balance of its deposits was \$5,453,877; the total book balance was \$5,454,352, due to \$475 in cash on hand. The bank balance was \$5,496,361 which was exposed to custodial credit risk, as follows:

	<u>Bank</u>
	<u>Balance</u>
Insured by F.D.I.C.	\$1,000,000
Uninsured and Uncollateralized	<u>4,496,361</u>
Total	<u>\$5,496,361</u>

A reconciliation of cash for the primary government follows:

Cash and Cash Equivalents per:	
Statement of Net Assets	\$4,909,683
Restricted Assets-Statement of Net Assets	425,200
Statement of Fiduciary Net Assets	<u>119,469</u>
Total	<u>\$5,454,352</u>

At June 30, 2006, 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>\$313,473</u>	<u>\$313,473</u>	<u>\$200,000</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. The ratings of the ICMA investments are unknown at June 30, 2006.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS - Continued

A. Deposits and Investments - Continued

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

Cash-Demand Deposit Accounts	\$ 798,832
Cash-Certificates of Deposits-Less than one year	\$ 3,700,000
Cash-Certificates of Deposits-More than one year	\$ 400,000
Cash-Money Market Accounts (Share price=\$1)	\$ 149,510
Cash-Pooled Funds (Share price=\$1)	\$ 448,019
Investments-ICMA Pension Trust	\$ 136,487

Concentration of Credit Risk. The Village's investment policy places no limit on the amount the Village may invest in any one issuer. All of the Village's investments of \$136,487 are with the ICMA Retirement Corporation.

B. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital Assets, not depreciated:				
Land	\$ 498,484	\$ -	\$ -	\$ 498,484
Capital Assets, being depreciated:				
Land Improvements	394,963	-	-	394,963
Street and Road Improvements	1,709,173	286,217	-	1,995,390
Buildings and Improvements	897,891	-	-	897,891
Machinery and Equipment	280,047	14,167	(5,000)	289,214
Vehicles	454,587	-	-	454,587
	<u>3,736,661</u>	<u>300,384</u>	<u>(5,000)</u>	<u>4,032,045</u>
Less: Accumulated Depreciation:				
Land Improvements	(43,087)	(24,284)	-	(67,371)
Street and Road Improvements	(255,000)	(34,000)	-	(289,000)
Buildings and Improvements	(508,409)	(22,864)	-	(531,273)
Machinery and Equipment	(183,015)	(22,551)	5,000	(200,566)
Vehicles	(344,093)	(35,859)	-	(379,952)
	<u>(1,333,604)</u>	<u>(139,558)</u>	<u>5,000</u>	<u>(1,468,162)</u>
Governmental Activities				
Capital Assets, Net	<u>\$2,901,541</u>	<u>\$ 160,826</u>	<u>\$ -</u>	<u>\$3,062,367</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS - Continued

B. Capital Assets - Continued

Business-type Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:				
Water and Sewer Transmission Facilities	\$8,654,955	\$ 111,983	\$ -	\$8,766,938
Equipment	<u>178,202</u>	<u>-</u>	<u>-</u>	<u>178,202</u>
	<u>8,833,157</u>	<u>111,983</u>	<u>-</u>	<u>8,945,140</u>
Less: Accumulated Depreciation:				
Water and Sewer Transmission Facilities	(3,979,834)	(164,146)	-	(4,143,980)
Equipment	<u>(117,274)</u>	<u>(10,875)</u>	<u>-</u>	<u>(128,149)</u>
	<u>(4,097,108)</u>	<u>(175,021)</u>	<u>-</u>	<u>(4,272,129)</u>
Business-type Activities, Capital Assets, Net	<u>\$4,736,049</u>	<u>\$ (63,038)</u>	<u>\$ -</u>	<u>\$4,673,011</u>

Component Unit-DDA:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:				
Land Improvements	\$ 460,720	\$ -	\$ -	\$ 460,720
Street and Road Improvements	905,000	-	-	905,000
Equipment	<u>1,420</u>	<u>2,388</u>	<u>-</u>	<u>3,808</u>
	<u>1,367,140</u>	<u>2,388</u>	<u>-</u>	<u>1,369,528</u>
Less: Accumulated Depreciation				
Land Improvements	(271,410)	(30,594)	-	(302,004)
Street and Road Improvements	(135,750)	(18,100)	-	(153,850)
Equipment	<u>(710)</u>	<u>(523)</u>	<u>-</u>	<u>(1,233)</u>
	<u>(407,870)</u>	<u>(49,217)</u>	<u>-</u>	<u>(457,087)</u>
Component Units Capital Assets, Net	<u>\$ 959,270</u>	<u>\$ (46,829)</u>	<u>\$ -</u>	<u>\$ 912,441</u>

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

Governmental Activities:

General Government	\$ 46,288
Public Safety	17,140
Public Works	67,919
Recreation and Cultural	<u>8,211</u>
Total	<u>\$ 139,558</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

Advances Receivable and Payable

The composition of interfund balances as of June 30, 2006, is as follows:

<u>Advance Receivable Fund</u>	<u>Advance Payable Fund</u>	<u>Amount</u>
General Fund	Longpointe Special Assessment	<u>\$ 8,936</u>

D. Intangible Assets

The Village has paid a capital charge to Orion Township for the connection to the Township's water lines. The capital charge is being amortized over 40 years using the straight-line method. Amortization expense in 2006 was \$22,518.

Capital Charge	\$ 900,713
Less: Accumulated Amortization	<u>(270,214)</u>
Net Capital Charge	<u>\$ 630,499</u>

E. Long-Term Debt

The following is a summary of long-term debt transactions of the Village for the year ended June 30, 2006:

	Balance July 1, 2005	Add: Additional Debt Incurred	Less: Retirements and Payments on Debt	Balance June 30, 2006	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$1,225,000	\$ -	\$ 110,000	\$1,115,000	\$120,000
MTF Bonds	155,000	-	10,000	145,000	10,000
Compensated Absences	<u>212,491</u>	<u>33,603</u>	<u>-</u>	<u>246,094</u>	<u>11,112</u>
	<u>1,592,491</u>	<u>33,603</u>	<u>120,000</u>	<u>1,506,094</u>	<u>141,112</u>
Business-type Activities:					
Revenue Bonds	1,445,000	-	80,000	1,365,000	85,000
G.O. Refunding Bonds	1,080,000	-	120,000	960,000	130,000
Compensated Absences	<u>13,272</u>	<u>-</u>	<u>-</u>	<u>13,272</u>	<u>539</u>
	<u>2,538,272</u>	<u>-</u>	<u>200,000</u>	<u>2,338,272</u>	<u>215,539</u>
	<u>\$4,130,763</u>	<u>\$33,603</u>	<u>\$320,000</u>	<u>\$3,844,366</u>	<u>\$356,651</u>
Component Unit – DDA:					
General Obligation Bonds	<u>\$ 135,000</u>	<u>\$ -</u>	<u>\$135,000</u>	<u>\$ -</u>	<u>\$ -</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS - Continued

E. Long-Term Debt – Continued

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the Village as of June 30, 2006:

	<u>Number of</u> <u>Issues</u>	<u>Interest</u> <u>Rate</u>	<u>Maturing</u> <u>Through</u>	<u>Principal</u> <u>Outstanding</u>
Governmental Activities:				
General Obligation Bonds	1	4.50-4.85%	2012	\$1,115,000
MTF Bonds	1	5.00%	2017	<u>145,000</u>
				<u>\$1,260,000</u>
Business-type Activities:				
Revenue Bonds	1	4.85-5.00%	2018	\$1,365,000
G.O. Refunding	1	2.50-3.63%	2013	<u>960,000</u>
				<u>\$2,325,000</u>

The annual debt service requirements to maturity for general obligation bonds outstanding as of June 30, 2006 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>
2007	\$ 130,000	\$ 56,500	\$ 215,000	\$ 97,698
2008	140,000	50,375	225,000	90,325
2009	155,000	43,687	240,000	82,449
2010	165,000	36,360	235,000	73,492
2011	185,000	28,183	245,000	64,272
2012-2016	455,000	37,110	880,000	179,942
2017-2018	<u>30,000</u>	<u>2,250</u>	<u>285,000</u>	<u>21,500</u>
	<u>\$1,260,000</u>	<u>\$ 254,465</u>	<u>\$2,325,000</u>	<u>\$ 609,678</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS - Continued

F. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at June 30, 2006, is presented below:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>
<u>Fund Balance</u>					
Reserved for:					
Public Right of Ways	\$23,357	\$ -	\$ -	\$ -	\$ -
Perpetual Care	-	-	-	-	173,755
Advances	8,936	-	-	-	-
Prepaid Expenditures	5,018	6,394		-	-
Debt	-	-	<u>25,057</u>	-	-
Total Reserved	<u>37,311</u>	<u>6,394</u>	<u>25,057</u>	-	<u>173,755</u>
Unreserved:					
Designated for:					
Subsequent Year's Expenditures	96,654	170,450	-	-	-
Undesignated	<u>373,031</u>	<u>11,591</u>	-	<u>72,592</u>	-
Total Fund Balance	<u>\$506,996</u>	<u>\$188,435</u>	<u>\$25,057</u>	<u>\$ 72,592</u>	<u>\$173,755</u>

G. Property Taxes

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

The Village is permitted by State law to levy taxes up to \$20 per \$1,000 of equalized valuation for general governmental services. The following is a summary of the tax rates levied on the 2005 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	12.1997	9.7500	2.4497
Debt	Voted	-	-	1.0570	-
Debt	Voted	-	-	1.3634	-

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS - Continued

G. Property Taxes - Continued

Under terms of an agreement with the Charter Township of Orion, the Township remits to the Village the equivalent of two mills (as rolled back by State law) of property taxes, which represents a special-voted tax levied on all Township residents (including Village residents) for police services. In accordance with the agreement, the Village will decrease its tax levy by an equal amount. The December 1, 2005 Township tax levy is paid by residents through February 2006. The Township remits its payment to the Village through June 2006, which will be used to replace the July 1, 2006 tax levy.

V. OTHER INFORMATION

A. Employee Retirement Systems and Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. Plan Description

The Village contributes to the Michigan Municipal Employees' Retirement System (MMERS), which is an agent multiple employer retirement system that covers substantially all full time employees of the Village. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by a certain percentage based on the benefit program in effect as of the date of termination of membership times the final average compensation (FAC). The most recent period for which actuarial data was available was for the actuarial valuation as of December 31, 2005.

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2006

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, 2003 as follows:

General - Union	9.55%
General Non-Union	9.48%
Police – Dispatchers	33.94%
Police	5.98%

c. Annual Pension Cost

During the fiscal year ended June 30, 2006, the Village's contributions totaling \$91,387 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2003. 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.

<u>Trend Information</u>				
Fiscal Year Ended	Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>June 30,</u>	<u>Dec. 31</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
1998	1995	\$19,908	100%	\$-0-
1999	1996	33,384	100%	-0-
2000	1997	46,547	100%	-0-
2001	1998	41,322	100%	-0-
2002	1999	20,587	100%	-0-
2003	2000	33,514	100%	-0-
2004	2001	47,011	100%	-0-
2005	2002	80,649	100%	-0-
2006	2003	91,387	100%	-0-

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2006

V. OTHER INFORMATION - Continued

A. Employee Retirement Systems and Plans - Continued

2. Defined Contribution Money Purchase Pension Plan

a. Plan Description

The Village of Lake Orion Money Purchase Plan is a single employer P.E.R.S. that administers the Village's defined contribution pension plan for the Village Manager. The Village is the only non-employee contributor to the plan. Only the Village Manager is eligible for the plan. As of June 30, 2006 the plan's membership was 1. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' account. As established by Village policy, the Manager is eligible for the plan on the date of commencement of their employment (following election). Voluntary contributions made by participants and employer contributions vest immediately as provided by the plan. The Village contributes up to 15% of the employee's gross earnings. The employee may make voluntary contributions up to 10% of his or her gross earnings.

b. Summary of Significant Accounting Policies and Plan Asset Matters

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

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

c. Contributions Required and Contributions Made

The Village is required to contribute an amount equal to 9.20% of the employee's gross earnings. During the year, the Village's required and actual contributions amounted to \$5,492. There were no employee contributions.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2006

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

3. Post Retirement Health Care Benefits

The Village provides health care benefits to nine retirees in accordance with their respective labor contracts. The Village includes these retirees and their dependents in its insured health care plan, with three having no contribution required by the participants and six that have 25% contribution requirements. Expenditures for post employment health care benefits are recognized as the insurance premiums become due. During the year, this amounted to \$103,351, net of participant contributions.

B. Risk Management

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

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

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

C. Joint Venture

North Oakland Transportation Authority

The Authority provides transportation services for the following six entities, the Charter Township of Oxford, the Charter Township of Orion, the Township of Addison, the Village of Lake Orion, the Village of Leonard and the Village of Oxford. The Authority's board consists of nine members of which the Village of Lake Orion appoints one. The North Oakland Transportation Authority is not considered a part of the reporting entity of the Village of Lake Orion. Separate financial statements of the joint venture may be obtained at North Oakland Transportation Authority, 720 James Hunt Dr., PO Box 96, Oxford, Michigan 48371.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2006

V. OTHER INFORMATION – Continued

D. Property Tax Appeals

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

E. Restatement

The beginning balances of the fixed assets for the governmental activities have been restated to reflect capital improvements, which were not reflected in the previous year's financial statements, as follows:

Governmental Activities:	
Fixed Assets, July 1, 2005	\$2,856,238
Additions from prior year	<u>45,303</u>
Restated Fixed Assets, July 1, 2005	<u>\$2,901,541</u>

The effect on beginning Net Assets are as follows:

Governmental Activities:	
Net Assets, July 1, 2005	\$2,271,142
Restatement	<u>45,303</u>
Restated Fixed Assets, July 1, 2005	<u>\$2,316,445</u>

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF LAKE ORION
Required Supplementary Information – (Unaudited)
Defined Benefit Pension Plans – Trend Information
For the Year Ended June 30, 2006

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

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2005 the latest actual valuation, follows:

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

VILLAGE OF LAKE ORION
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 875,000	\$ 875,000	\$ 881,217	\$ 6,217
Penalties and Interest	10,000	10,000	13,417	3,417
In Lieu of Taxes	22,000	22,000	21,678	(322)
Special Assessments	5,000	5,000	2,979	(2,021)
Intergovernmental - Federal/CDBG	20,950	20,950	2,454	(18,496)
Intergovernmental - State	226,600	226,600	241,309	14,709
Charges for Services	185,000	185,000	181,870	(3,130)
Interest Earnings	18,000	18,000	24,390	6,390
Administration Fees	98,700	98,700	98,700	-
Other Revenues	5,000	5,000	25,773	20,773
Total Revenues	<u>1,466,250</u>	<u>1,466,250</u>	<u>1,493,787</u>	<u>27,537</u>
Expenditures:				
General Government:				
Village Council	5,500	5,500	3,949	1,551
Village Manager	81,900	81,900	80,051	1,849
Clerk	99,100	99,100	99,021	79
Treasurer	136,750	136,750	134,504	2,246
Municipal Building	137,510	137,510	132,970	4,540
Data Processing	6,600	6,600	4,624	1,976
Professional Services	72,700	72,700	88,990	(16,290)
	<u>540,060</u>	<u>540,060</u>	<u>544,109</u>	<u>(4,049)</u>
Public Works:				
Sanitation	152,000	152,000	122,265	29,735
Street Lighting	38,000	38,000	39,656	(1,656)
	<u>190,000</u>	<u>190,000</u>	<u>161,921</u>	<u>28,079</u>
Health and Welfare:				
Community Development Block Grant	20,950	20,950	2,454	18,496
Community and Economic Development:				
Planning and Zoning	86,700	86,700	63,055	23,645
Recreation and Cultural:				
Parks and Recreation	41,410	49,410	46,304	3,106
Other Functions:				
Insurance	62,000	62,000	59,872	2,128
Community Promotion	3,100	3,100	1,513	1,587
	<u>65,100</u>	<u>65,100</u>	<u>61,385</u>	<u>3,715</u>
Total Expenditures	<u>944,220</u>	<u>952,220</u>	<u>879,228</u>	<u>72,992</u>
Excess of Revenues Over Expenditures	522,030	514,030	614,559	100,529
Other Financing Sources (Uses):				
Operating Transfers Out	(347,000)	(350,000)	(350,000)	-
Net Change in Fund Balance	175,030	164,030	264,559	100,529
Fund Balance - July 1	242,437	242,437	242,437	-
Fund Balance - June 30	<u>\$ 417,467</u>	<u>\$ 406,467</u>	<u>\$ 506,996</u>	<u>\$ 100,529</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$ 24,000	\$ 24,000	\$ 24,000	\$ -
Equipment Rental	128,000	128,000	89,179	(38,821)
Cemetery	25,000	25,000	30,346	5,346
Interest Income	1,200	1,200	2,300	1,100
Other	-	-	5,036	5,036
Total Revenues	<u>178,200</u>	<u>178,200</u>	<u>150,861</u>	<u>(27,339)</u>
Expenditures:				
Wages and Benefits	271,000	261,000	235,732	25,268
Repairs and Maintenance	9,000	9,000	8,150	850
Other	29,650	29,650	29,330	320
Cemetery	44,050	56,550	52,252	4,298
Phase II Stormwater	28,000	25,000	14,607	10,393
Total Expenditures	<u>381,700</u>	<u>381,200</u>	<u>340,071</u>	<u>41,129</u>
Excess (Deficiency) of Revenues Over Expenditures	(203,500)	(203,000)	(189,210)	13,790
Other Financing Sources:				
Transfers In	<u>118,500</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>
Net Change in Fund Balance	(85,000)	(83,000)	(69,210)	13,790
Fund Balance, July 1	<u>91,481</u>	<u>91,481</u>	<u>91,481</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 6,481</u>	<u>\$ 8,481</u>	<u>\$ 22,271</u>	<u>\$ 13,790</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental-State	\$ 4,200	\$ 4,200	\$ 3,624	\$ (576)
Intergovernmental-Local	247,000	247,000	247,060	60
Fines and Forfeitures	65,000	65,000	57,675	(7,325)
Interest Income	3,000	3,000	3,694	694
Other	103,400	103,400	113,935	10,535
Total Revenues	<u>422,600</u>	<u>422,600</u>	<u>425,988</u>	<u>3,388</u>
Expenditures:				
Wages and Benefits	696,900	696,900	699,340	(2,440)
Other	131,000	131,000	122,610	8,390
Total Expenditures	<u>827,900</u>	<u>827,900</u>	<u>821,950</u>	<u>5,950</u>
Excess (Deficiency) of Revenues Over Expenditures	(405,300)	(405,300)	(395,962)	9,338
Other Financing Sources (Uses):				
Transfers In	160,000	160,000	160,000	-
Net Change in Fund Balance	(245,300)	(245,300)	(235,962)	9,338
Fund Balance, July 1	240,218	240,218	240,218	-
Fund Balance, June 30	<u>\$ (5,082)</u>	<u>\$ (5,082)</u>	<u>\$ 4,256</u>	<u>\$ 9,338</u>

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF LAKE ORION
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>	<u>Total</u>
<u>ASSETS</u>					
Cash	\$ 148,285	\$ 25,057	\$ 73,838	\$ 172,466	\$ 419,646
Accounts Receivable	-	-	-	1,289	1,289
Special Assessment Receivable	-	8,936	-	-	8,936
Due from State	25,669	-	-	-	25,669
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ <u>173,954</u>	\$ <u>33,993</u>	\$ <u>73,838</u>	\$ <u>173,755</u>	\$ <u>455,540</u>
 <u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ 12,046	\$ -	\$ 1,246	\$ -	\$ 13,292
Advance from Other Funds	-	8,936	-	-	8,936
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	12,046	8,936	1,246	-	22,228
Fund Balance:					
Reserved for Debt Service	-	25,057	-	-	25,057
Reserved for Perpetual Care	-	-	-	173,755	173,755
Unreserved:					
Designated for Subsequent Year's Expenditures	138,050	-	-	-	138,050
Undesignated	23,858	-	72,592	-	96,450
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balance	161,908	25,057	72,592	173,755	433,312
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	\$ <u>173,954</u>	\$ <u>33,993</u>	\$ <u>73,838</u>	\$ <u>173,755</u>	\$ <u>455,540</u>

VILLAGE OF LAKE ORION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue	Debt Service	Capital Projects	Permanent Fund	Total
<u>Revenues:</u>					
Property Tax Revenue	\$ -	\$ 166,875	\$ -	\$ -	\$ 166,875
State-Shared Revenue	155,458	-	-	-	155,458
Interest Earned	5,148	2,364	2,839	6,332	16,683
Other Revenues	2,268	-	-	21,280	23,548
Total Revenues	162,874	169,239	2,839	27,612	362,564
<u>Expenditures:</u>					
Highways, Streets, Sidewalks and Other Maintenance	164,472	-	4,742	-	169,214
Other	7,638	-	-	-	7,638
Debt Service:					
Principal	-	120,000	-	-	120,000
Interest and Other Charges	-	60,275	-	-	60,275
Capital Outlay	14,167	-	286,217	-	300,384
Total Expenditures	186,277	180,275	290,959	-	657,511
Excess (Deficiency) of Revenues Over Expenditures	(23,403)	(11,036)	(288,120)	27,612	(294,947)
Other Financing Sources (Uses):					
Operating Transfers In	108,308	17,158	40,000	-	165,466
Operating Transfers Out	(67,000)	-	(22,466)	(6,000)	(95,466)
Operating Transfers In-Component Unit	-	-	225,000	-	225,000
Total Other Financing Sources (Uses)	41,308	17,158	242,534	(6,000)	295,000
Change in Fund Balance	17,905	6,122	(45,586)	21,612	53
Fund Balance - July 1	144,003	18,935	118,178	152,143	433,259
Fund Balance - June 30	\$ 161,908	\$ 25,057	\$ 72,592	\$ 173,755	\$ 433,312

VILLAGE OF LAKE ORION
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2006

	<u>Major Street</u>	<u>Local Street</u>	<u>Capital Improvement</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 6,885	\$ -	\$ 141,400	\$ 148,285
Due from State	<u>17,787</u>	<u>7,882</u>	<u>-</u>	<u>25,669</u>
Total Assets	<u>\$ 24,672</u>	<u>\$ 7,882</u>	<u>\$ 141,400</u>	<u>\$ 173,954</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ <u>7,142</u>	\$ <u>3,636</u>	\$ <u>1,268</u>	\$ <u>12,046</u>
Fund Balance:				
Designated for Subsequent Year's Expenditures	5,250	-	132,800	138,050
Undesignated	<u>12,280</u>	<u>4,246</u>	<u>7,332</u>	<u>23,858</u>
Total Fund Balance	<u>17,530</u>	<u>4,246</u>	<u>140,132</u>	<u>161,908</u>
Total Liabilities and Fund Balance	<u>\$ 24,672</u>	<u>\$ 7,882</u>	<u>\$ 141,400</u>	<u>\$ 173,954</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, 2006

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Capital Improvement</u>	<u>Total</u>
<u>Revenues:</u>				
State-Shared Revenue	\$ 107,721	\$ 47,737	\$ -	\$ 155,458
Interest Earned	679	101	4,368	5,148
Other Revenues	-	2,268	-	2,268
Total Revenues	<u>108,400</u>	<u>50,106</u>	<u>4,368</u>	<u>162,874</u>
<u>Expenditures:</u>				
Highways, Streets, Sidewalks and Other Maintenance	76,378	88,094	-	164,472
Other	-	-	7,638	7,638
Capital Outlay	-	-	14,167	14,167
Total Expenditures	<u>76,378</u>	<u>88,094</u>	<u>21,805</u>	<u>186,277</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>32,022</u>	<u>(37,988)</u>	<u>(17,437)</u>	<u>(23,403)</u>
Other Financing Sources (Uses):				
Operating Transfers In	5,308	30,000	73,000	108,308
Operating Transfers Out	(67,000)	-	-	(67,000)
Total Other Financing Sources (Uses)	<u>(61,692)</u>	<u>30,000</u>	<u>73,000</u>	<u>41,308</u>
Change in Fund Balance	(29,670)	(7,988)	55,563	17,905
Fund Balance - July 1	<u>47,200</u>	<u>12,234</u>	<u>84,569</u>	<u>144,003</u>
Fund Balance - June 30	<u>\$ 17,530</u>	<u>\$ 4,246</u>	<u>\$ 140,132</u>	<u>\$ 161,908</u>

VILLAGE OF LAKE ORION
Nonmajor Debt Service Funds
Combining Balance Sheet
June 30, 2006

	<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	\$ 17,752	\$ 2,524	\$ 4,781	\$ 25,057
Special Assessments Receivable	-	8,936	-	8,936
Total Assets	<u>\$ 17,752</u>	<u>\$ 11,460</u>	<u>\$ 4,781</u>	<u>\$ 33,993</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Advance from Other Funds	\$ -	\$ 8,936	\$ -	\$ 8,936
Fund Balance				
Reserved for Debt Service	<u>17,752</u>	<u>2,524</u>	<u>4,781</u>	<u>25,057</u>
Total Liabilities and Fund Balance	<u>\$ 17,752</u>	<u>\$ 11,460</u>	<u>\$ 4,781</u>	<u>\$ 33,993</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, 2006

	<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	\$ 166,875	\$ -	\$ -	\$ 166,875
Interest Income	1,368	922	74	2,364
Total Revenues	<u>168,243</u>	<u>922</u>	<u>74</u>	<u>169,239</u>
<u>Expenditures:</u>				
Principal	110,000	-	10,000	120,000
Interest and Other Charges	<u>54,725</u>	<u>-</u>	<u>5,550</u>	<u>60,275</u>
Total Expenditures	<u>164,725</u>	<u>-</u>	<u>15,550</u>	<u>180,275</u>
Excess (Deficiency) of Revenues Over Expenditures	3,518	922	(15,476)	(11,036)
<u>Other Financing Sources:</u>				
Operating Transfer In	<u>-</u>	<u>-</u>	<u>17,158</u>	<u>17,158</u>
Change in Fund Balance	3,518	922	1,682	6,122
Fund Balance - July 1	<u>14,234</u>	<u>1,602</u>	<u>3,099</u>	<u>18,935</u>
Fund Balance - June 30	<u>\$ 17,752</u>	<u>\$ 2,524</u>	<u>\$ 4,781</u>	<u>\$ 25,057</u>

VILLAGE OF LAKE ORION
Nonmajor Capital Project Funds
Combining Balance Sheet
June 30, 2006

	<u>North Shore Bridge Construction</u>	<u>Atwater Street Construction</u>	<u>Flint Street Construction</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 73,838</u>	\$ <u> 73,838</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 1,246</u>	\$ <u> 1,246</u>
Fund Balance	<u> -</u>	<u> -</u>	<u> 72,592</u>	<u> 72,592</u>
Total Liabilities and Fund Balance	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 73,838</u>	\$ <u> 73,838</u>

VILLAGE OF LAKE ORION
Nonmajor Capital Project Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2006

	<u>North Shore Bridge Construction</u>	<u>Atwater Street Construction</u>	<u>Flint Street Construction</u>	<u>Total</u>
<u>Revenues:</u>				
Interest Income	\$ <u> 560</u>	\$ <u> 961</u>	\$ <u> 1,318</u>	\$ <u> 2,839</u>
<u>Expenditures:</u>				
Construction	<u> -</u>	<u> 257,491</u>	<u> 28,726</u>	<u> 286,217</u>
Other	<u> 4,742</u>	<u> -</u>	<u> -</u>	<u> 4,742</u>
Total Expenditures	<u> 4,742</u>	<u> 257,491</u>	<u> 28,726</u>	<u> 290,959</u>
Excess (Deficiency) of Revenues Over Expenditures	<u> (4,182)</u>	<u> (256,530)</u>	<u> (27,408)</u>	<u> (288,120)</u>
Other Financing Sources:				
Transfers In	<u> -</u>	<u> 40,000</u>	<u> -</u>	<u> 40,000</u>
Transfers Out	<u> (17,158)</u>	<u> (5,308)</u>	<u> -</u>	<u> (22,466)</u>
Transfers In - Component Unit	<u> -</u>	<u> 125,000</u>	<u> 100,000</u>	<u> 225,000</u>
Total Other Financing Sources	<u> (17,158)</u>	<u> 159,692</u>	<u> 100,000</u>	<u> 242,534</u>
Change in Fund Balance	<u> (21,340)</u>	<u> (96,838)</u>	<u> 72,592</u>	<u> (45,586)</u>
Fund Balance - July 1	<u> 21,340</u>	<u> 96,838</u>	<u> -</u>	<u> 118,178</u>
Fund Balance - June 30	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 72,592</u>	\$ <u> 72,592</u>

VILLAGE OF LAKE ORION
Combining Balance Sheet
Component Unit - DDA
June 30, 2006

	<u>Downtown Development Authority</u>	<u>DDA Property Acquisition Fund</u>	<u>DDA Debt Service Fund</u>	<u>Total</u>
<u>Assets</u>				
Cash	\$ 158,469	\$ 155,004	\$ -	\$ 313,473
Accounts Receivable	2,845	-	-	2,845
Delinquent Taxes Receivable	3,384	-	-	3,384
Prepaid Expenditures	<u>3,750</u>	<u>-</u>	<u>-</u>	<u>3,750</u>
Total Assets	<u>\$ 168,448</u>	<u>\$ 155,004</u>	<u>\$ -</u>	<u>\$ 323,452</u>

Liabilities and Fund Balance

Liabilities:				
Accounts Payable	\$ 26,346	\$ -	\$ -	\$ 26,346
Deferred Revenue	<u>3,384</u>	<u>-</u>	<u>-</u>	<u>3,384</u>
Total Liabilities	29,730	-	-	29,730
Fund Balance	<u>138,718</u>	<u>155,004</u>	<u>-</u>	<u>293,722</u>
Total Liabilities and Fund Balance	<u>\$ 168,448</u>	<u>\$ 155,004</u>	<u>\$ -</u>	<u>\$ 323,452</u>

Reconciliation to Statement of Net Assets (page 11):

Fund Balance at June 30, 2006	\$ 293,722
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	912,441
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>-</u>
Net Assets of Governmental Activities-Component Unit	<u>\$ 1,206,163</u>

VILLAGE OF LAKE ORION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Component Unit - DDA
For the Year Ended June 30, 2006

	<u>Downtown Development Authority</u>	<u>DDA Property Acquisition Fund</u>	<u>DDA Debt Service Fund</u>	<u>Total</u>
<u>Revenues</u>				
Property Taxes	\$ 591,495	\$ -	\$ -	\$ 591,495
Intergovernmental:				
Federal, State and Local	69,784	-	-	69,784
Charges for Services	20,844	-	-	20,844
Interest and Rent	11,506	4,281	1,783	17,570
Total Revenues	<u>693,629</u>	<u>4,281</u>	<u>1,783</u>	<u>699,693</u>
<u>Expenditures</u>				
Community Development	461,554	-	-	461,554
Debt Service:				
Principal	-	-	135,000	135,000
Interest and Other Charges	-	-	6,375	6,375
Capital Outlay	2,388	-	-	2,388
Total Expenditures	<u>463,942</u>	<u>-</u>	<u>141,375</u>	<u>605,317</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>229,687</u>	<u>4,281</u>	<u>(139,592)</u>	<u>94,376</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	1,236	75,000	124,000	200,236
Transfers Out	(199,000)	-	(1,236)	(200,236)
Transfer Out - Primary Government	(225,000)	-	-	(225,000)
Total Other Financing Sources (Uses)	<u>(422,764)</u>	<u>75,000</u>	<u>122,764</u>	<u>(225,000)</u>
Net Change in Fund Balance	(193,077)	79,281	(16,828)	(130,624)
Fund Balance - Beginning	<u>331,795</u>	<u>75,723</u>	<u>16,828</u>	<u>424,346</u>
Fund Balance - Ending	\$ <u><u>138,718</u></u>	\$ <u><u>155,004</u></u>	\$ <u><u>-</u></u>	\$ <u><u>293,722</u></u>

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

Net Change in Fund Balance at June 30, 2006 \$ (130,624)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents depreciation in excess of capital outlay in the current period. (46,829)

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. 135,000

Change in Net Assets-Component Unit \$ (42,453)

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Governmental Funds
June 30, 2006

1998 General Obligation Unlimited Tax Bonds

Date of Issue: April 1, 1998

Total Issue \$ 1,700,000

Interest Due May 1 and November 1

Due As Follows:

4.50%	11/01/06	\$	120,000	\$	49,250	\$	169,250
4.50%	11/01/07		130,000		43,625		173,625
4.50%	11/01/08		145,000		37,437		182,437
4.60%	11/01/09		155,000		30,610		185,610
4.70%	11/01/10		175,000		22,933		197,933
4.80%	11/01/11		190,000		14,260		204,260
4.85%	11/01/12		200,000		4,850		204,850
		\$	<u>1,115,000</u>	\$	<u>202,965</u>	\$	<u>1,317,965</u>

2003 Michigan Transportation Fund Bonds

Date of Issue: May 1, 2003

Total Issue \$ 175,000

Interest Due April 1 and October 1

Due As Follows:

5.00%	10/01/06	\$	10,000	\$	7,250	\$	17,250
5.00%	10/01/07		10,000		6,750		16,750
5.00%	10/01/08		10,000		6,250		16,250
5.00%	10/01/09		10,000		5,750		15,750
5.00%	10/01/10		10,000		5,250		15,250
5.00%	10/01/11		10,000		4,750		14,750
5.00%	10/01/12		10,000		4,250		14,250
5.00%	10/01/13		15,000		3,750		18,750
5.00%	10/01/14		15,000		3,000		18,000
5.00%	10/01/15		15,000		2,250		17,250
5.00%	10/01/16		15,000		1,500		16,500
5.00%	10/01/17		15,000		750		15,750
		\$	<u>145,000</u>	\$	<u>51,500</u>	\$	<u>196,500</u>

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Proprietary Fund
June 30, 2006

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

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

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
4.85%	06/01/07	\$ 85,000	\$ 67,640	\$ 152,640
4.85%	06/01/08	90,000	63,517	153,517
4.85%	06/01/09	95,000	59,152	154,152
4.90%	06/01/10	100,000	54,545	154,545
4.90%	06/01/11	105,000	49,645	154,645
5.00%	06/01/12	110,000	44,500	154,500
5.00%	06/01/13	115,000	39,000	154,000
5.00%	06/01/14	120,000	33,250	153,250
5.00%	06/01/15	125,000	27,250	152,250
5.00%	06/01/16	135,000	21,000	156,000
5.00%	06/01/17	140,000	14,250	154,250
5.00%	06/01/18	145,000	7,250	152,250
		\$ <u>1,365,000</u>	\$ <u>480,999</u>	\$ <u>1,845,999</u>

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

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

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
2.50%	04/01/07	\$ 130,000	\$ 30,058	\$ 160,058
2.60%	04/01/08	135,000	26,808	161,808
3.00%	04/01/09	145,000	23,297	168,297
3.20%	04/01/10	135,000	18,947	153,947
3.40%	04/01/11	140,000	14,627	154,627
3.55%	04/01/12	135,000	9,867	144,867
3.63%	04/01/13	140,000	5,075	145,075
		\$ <u>960,000</u>	\$ <u>128,679</u>	\$ <u>1,088,679</u>