

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

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2008**

VILLAGE OF LAKE ORION
For the Year Ended June 30, 2008
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For the Year Ended June 30, 2008

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Independent Auditor's Report

September 12, 2008

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, 2008, 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, 2008, 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 12, 2008

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

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

Respectfully,

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

Post, Smythe, Lutz and Ziel of Plymouth 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, 2008. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The assets of the Village of Lake Orion exceeded its liabilities at the close of the most recent fiscal year by \$11,089,304 (*net assets*). Of this amount, \$4,543,815 (*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 \$530,362.
- At the close of the most recent fiscal year, the Village of Lake Orion's governmental funds reported combined ending fund balances of \$1,225,068. Approximately 79 percent of this total amount, \$968,303 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 \$425,549, or 45 percent of total general fund expenditures.
- The Village of Lake Orion's total debt, including the DDA, decreased by \$453,390 (12 percent) during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

Assets exceeded liabilities by \$11,089,304 at the close of the most recent fiscal year. Of the Village of Lake Orion's net assets, 56 percent reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Village of Lake Orion uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Village of Lake Orion's Net Assets						
	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 1,442,535	\$ 1,357,243	\$ 4,689,041	\$ 5,030,328	\$ 6,131,576	\$ 6,387,571
Capital Assets	2,951,401	2,998,944	6,083,393	5,103,731	9,034,794	8,102,675
Total Assets	<u>4,393,936</u>	<u>4,356,187</u>	<u>10,772,434</u>	<u>10,134,059</u>	<u>15,166,370</u>	<u>14,490,246</u>
Long-term liabilities outstanding	1,247,662	1,401,052	1,789,024	2,017,599	3,036,686	3,418,651
Other liabilities	217,467	215,465	822,913	297,188	1,040,380	512,653
Total Liabilities	<u>1,465,129</u>	<u>1,616,517</u>	<u>2,611,937</u>	<u>2,314,787</u>	<u>4,077,066</u>	<u>3,931,304</u>
Net Assets:						
Invested in capital assets,						
net of related debt	1,961,401	1,868,944	4,212,641	3,009,404	6,174,042	4,878,348
Restricted	230,001	234,322	141,446	140,793	371,447	375,115
Unrestricted	737,405	636,404	3,806,410	4,669,075	4,543,815	5,305,479
Total Net Assets	<u>\$ 2,928,807</u>	<u>\$ 2,739,670</u>	<u>\$ 8,160,497</u>	<u>\$ 7,819,272</u>	<u>\$ 11,089,304</u>	<u>\$ 10,558,942</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 \$530,362 during the current fiscal year.

Governmental activities. Governmental activities increased net assets by \$189,137, accounting for 36 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	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services	\$ 748,194	\$ 702,613	\$ 1,178,705	\$ 1,124,489	\$ 1,926,899	\$ 1,827,102
Operating Grants & Contributions	440,821	442,234	-	-	440,821	442,234
Capital Grants & Contributions	-	-	16,925	24,175	16,925	24,175
General Revenues:						
Property Taxes	1,190,700	1,137,758	162,463	161,358	1,353,163	1,299,116
State Shared Revenues	234,976	238,293	-	-	234,976	238,293
Unrestricted Investment Earnings	65,370	64,791	226,708	232,293	292,078	297,084
Total Revenues	<u>2,680,061</u>	<u>2,585,689</u>	<u>1,584,801</u>	<u>1,542,315</u>	<u>4,128,004</u>	<u>3,675,412</u>
Expenses:						
General Government	668,461	664,952	-	-	668,461	664,952
Public Safety	855,812	875,941	-	-	855,812	875,941
Public Works	849,345	752,057	-	-	849,345	752,057
Health and Welfare	-	12,092	-	-	-	12,092
Community Development	74,690	65,990	-	-	74,690	65,990
Recreation and Cultural	43,741	43,295	-	-	43,741	43,295
Interest on Long-Term Debt	48,875	54,800	-	-	48,875	54,800
Water and Sewer	-	-	1,243,576	1,276,798	1,243,576	1,276,798
Total Expenses	<u>2,540,924</u>	<u>2,469,127</u>	<u>1,243,576</u>	<u>1,276,798</u>	<u>3,784,500</u>	<u>3,745,925</u>
Change in Net Assets						
before Transfers	139,137	116,562	341,225	265,517	480,362	382,079
Transfers	<u>50,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>100,000</u>
Change in Net Assets	<u>\$ 189,137</u>	<u>\$ 216,562</u>	<u>\$ 341,225</u>	<u>\$ 265,517</u>	<u>\$ 530,362</u>	<u>\$ 243,053</u>

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

- Increase due to reduction in Long term debt & liabilities \$ 153,000
- Increase from property tax revenue 53,000
- Donation from GM for dispatch equipment 24,000
- Increase in Fire Dispatch revenues 10,000
- Transfer for Flint Street Repaving 50,000

Reduced by decreases in net assets including:

- Employee pension expense increase, \$ 10,000
- Net expenses for replacing the Village Manager position 37,000
- Depreciation exceeded capital outlay 48,000

Business-type activities. Business-type activities increased net assets by \$341,225, accounting for 64 percent of the total growth in net assets. This growth is mostly due to an increase in service charges and various expense reductions.

Financial Analysis of the Government's Funds

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

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

Fund Balance Comparison for Governmental Funds

	General Fund	Public Works	Police	Other Govt Funds	Total Funds
Fund Balance 6-30-2007	511,360	63,875	79,946	486,597	1,141,778
Fund Balance 6-30-2008	448,337	123,159	102,943	550,629	1,225,068
Net Change in Fund Balance	(63,023)	59,284	22,997	64,032	83,290

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$1,225,068, approximately 79 percent of this total amount (\$968,303) 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 (\$26,056), 2) to pay debt service (\$20,129), 3) to generate income to pay for the perpetual care of the municipal cemetery (\$197,202) or 4) for other restricted purposes (\$12,670).

Total governmental fund balances increased \$83,290 for the 2007-2008 fiscal year as compared to an increase of \$174,943 in the 2006-2007 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 \$425,549, while total fund balance was \$448,337. Unreserved fund balance represents 45 percent of total general fund expenditures, while total fund balance represents 48 percent of that same amount. The fund balance of the Village of Lake Orion's General Fund decreased \$63,023 during the current fiscal year. This decrease is mostly attributable to the costs incurred to replace the Village Manager Position.

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

The Public Works Fund has a total fund balance of \$123,159; unreserved fund balance in the Public Works Fund was \$106,513. The total Public Works fund balance represents an increase of \$59,284 in comparison with the prior year. This increase is mostly due to equipment rental revenues from the increase in winter road maintenance.

The Police Fund has a total fund balance of \$102,943, all of which was unreserved. The total Police fund balance represents an increase of \$22,997 in comparison with the prior year. This increase is due to revenue increases in fire dispatch and a reduction in retiree health insurance costs.

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

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$3,806,410.

General Fund Budgetary Highlights

There was no change between the original budget and the final amended budget total in revenues for the General Fund and a total \$37,888 increase in expenditures and transfers out. This change was due to the costs incurred to replace the Village Manager.

Capital Asset and Debt Administration

Capital assets. The Village of Lake Orion's investment in capital assets for its governmental and business type activities is \$9,034,794 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, machinery and equipment, park facilities, roads, and bridges. The change in the Village of Lake Orion's investment in capital assets for the current fiscal year was a 2 percent decrease for governmental activities, and a 10 percent increase in business-type activities.

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

- Water Main Replacement project \$1,187,000
- Purchase DPW chipper 20,000
- Purchase Police vehicle 29,000
- Police Dispatch equipment donation 24,000

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

Long-term debt.

At the end of the current fiscal year, the Village of Lake Orion had total bond debt outstanding of \$2,875,000. Of this amount, \$990,000 is governmental, \$1,885,000 is business-type. The Village of Lake Orion's total bond debt decreased by \$365,000 (11 percent) during the current fiscal year.

At the end of the current fiscal year, the Village of Lake Orion's Component Unit (DDA) had land contract debt outstanding of \$224,000. Principal of \$75,000 was paid during the current fiscal year.

The Village of Lake Orion received an "A-" rating from Standard & Poor's in 2008 for bond debt.

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

Economic Factors and Future Budgets and Rates

Property taxes make up over 50 percent of our General Fund Revenue. Taxable values experienced a 1 percent decrease for 2008/2009.

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

- Secured agreements from both labor unions to eliminate health insurance after retirement for new employees.
- Secured agreements from both labor unions to move pensions from Defined Benefit to Defined Contribution for new employees.
- Changed Disability and Life Insurance Carriers for a 17% cost reduction.
- Continued with Health Insurance reductions due to active employee opt outs and the current high deductible plan; sufficient to offset over \$25,000 in price increases.

In addition, in 2007/2008 we maintained costs/revenues in the following areas:

- Completed cost studies for audit services and retained current audit firm for significant cost savings.
- Maintained attorney expenses
- Maintained State Shared revenues
- Maintained Interest revenues

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

- Annual funding for our retiree health care liability.
- Local economic conditions could result in further property tax revenue reductions in future years.

The Village purchases its water from Orion Township (City of Detroit water) and its sewer services from the City of Detroit through Oakland County. The operations of the Water and Sewer Fund resulted in an operating gain of \$26,599. This operating stability is reflecting the first full year effect of the rate structure change.

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, 2008

	Primary Government			Component Unit - DDA
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 1,174,741	\$ 3,908,247	\$ 5,082,988	\$ 510,179
Receivables (net of allowance for uncollectibles)	197,258	407,652	604,910	7,513
Due from Other Governmental Units	24,771	-	24,771	-
Inventory	-	13,707	13,707	-
Prepaid Expenditures	45,765	-	45,765	1,745
Restricted Assets - Cash and Cash Equivalents	-	359,435	359,435	-
Capital Assets (net of accumulated depreciation)	2,951,401	6,083,393	9,034,794	1,359,167
Total Assets	4,393,936	10,772,434	15,166,370	1,878,604
LIABILITIES				
Accounts Payable	85,682	713,400	799,082	45,490
Accrued Liabilities	32,463	-	32,463	-
Deferred Revenue	99,322	3,870	103,192	4,356
Liabilities payable from restricted assets	-	105,643	105,643	-
Noncurrent Liabilities:				
Due within one year	155,000	145,586	300,586	75,000
Due in more than one year	1,092,662	1,643,438	2,736,100	149,000
Total Liabilities	1,465,129	2,611,937	4,077,066	273,846
NET ASSETS				
Invested in Capital Assets, net of related debt	1,961,401	4,212,641	6,174,042	1,135,167
Restricted for:				
Highways and Streets	12,670	-	12,670	-
Debt Service	20,129	141,446	161,575	-
Perpetual Care	197,202	-	197,202	-
Unrestricted	737,405	3,806,410	4,543,815	469,591
Total Net Assets	\$ 2,928,807	\$ 8,160,497	\$ 11,089,304	\$ 1,604,758

VILLAGE OF LAKE ORION
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 668,461	\$ 141,418	\$ 510	\$ -
Public Safety	855,812	194,752	287,935	-
Public Works	849,345	392,696	151,205	-
Health and Welfare	-	-	1,171	-
Community Development	74,690	12,278	-	-
Recreation and Cultural	43,741	7,050	-	-
Interest on Long-Term Debt	48,875	-	-	-
Total Governmental Activities	<u>2,540,924</u>	<u>748,194</u>	<u>440,821</u>	<u>-</u>
Business-type Activities:				
Water and Sewer	<u>1,243,576</u>	<u>1,178,705</u>	<u>-</u>	<u>16,925</u>
Total Primary Government	<u>\$ 3,784,500</u>	<u>\$ 1,926,899</u>	<u>\$ 440,821</u>	<u>\$ 16,925</u>
Component Units	<u>\$ 554,913</u>	<u>\$ 35,689</u>	<u>\$ 68,682</u>	<u>\$ -</u>

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

Change in Net Assets
Net Assets - Beginning

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets

Primary Government		Component	
Governmental	Business-type	Total	Unit -
Activities	Activities		DDA
\$ (526,533)	\$ -	\$ (526,533)	\$ -
(373,125)	-	(373,125)	-
(305,444)	-	(305,444)	-
1,171	-	1,171	-
(62,412)	-	(62,412)	-
(36,691)	-	(36,691)	-
(48,875)	-	(48,875)	-
<u>(1,351,909)</u>	<u>-</u>	<u>(1,351,909)</u>	<u>-</u>
<u>-</u>	<u>(47,946)</u>	<u>(47,946)</u>	<u>-</u>
<u>(1,351,909)</u>	<u>(47,946)</u>	<u>(1,399,855)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(450,542)</u>
1,190,700	162,463	1,353,163	679,517
234,976	-	234,976	-
65,370	226,708	292,078	18,289
50,000	-	50,000	(50,000)
<u>1,541,046</u>	<u>389,171</u>	<u>1,930,217</u>	<u>647,806</u>
189,137	341,225	530,362	197,264
<u>2,739,670</u>	<u>7,819,272</u>	<u>10,558,942</u>	<u>1,407,494</u>
<u>\$ 2,928,807</u>	<u>\$ 8,160,497</u>	<u>\$ 11,089,304</u>	<u>\$ 1,604,758</u>

VILLAGE OF LAKE ORION
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>	<u>Public Works</u>	<u>Police</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 415,149	\$ 139,588	\$ 93,930	\$ 526,074	\$ 1,174,741
Receivables (net of allowance for uncollectibles)	87,096	-	102,649	4,749	194,494
Special Assessment Receivable	-	-	-	2,764	2,764
Due from State	-	-	-	24,771	24,771
Advance to Other Funds	708	-	-	-	708
Prepaid Expenditures	9,410	16,646	19,709	-	45,765
Total Assets	\$ 512,363	\$ 156,234	\$ 216,288	\$ 558,358	\$ 1,443,243
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ 51,790	\$ 15,208	\$ 11,663	\$ 7,021	\$ 85,682
Accrued and Other Liabilities	8,467	17,867	6,129	-	32,463
Advance from Other Funds	-	-	-	708	708
Deferred Revenue	3,769	-	95,553	-	99,322
Total Liabilities	64,026	33,075	113,345	7,729	218,175
Fund Balances:					
Reserved for:					
Highways and Streets	12,670	-	-	-	12,670
Perpetual Care	-	-	-	197,202	197,202
Advances	708	-	-	-	708
Prepays	9,410	16,646	-	-	26,056
Debt Service	-	-	-	20,129	20,129
Unreserved, reported in:					
General Fund	425,549	-	-	-	425,549
Special Revenue Funds	-	106,513	102,943	101,572	311,028
Capital Projects Funds	-	-	-	231,726	231,726
Total Fund Balance	448,337	123,159	102,943	550,629	1,225,068
Total Liabilities and Fund Balance	\$ 512,363	\$ 156,234	\$ 216,288	\$ 558,358	

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

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

2,951,401

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

(1,247,662)

Net Assets of Governmental Activities

\$ 2,928,807

VILLAGE OF LAKE ORION
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2008

	General	Public Works	Police	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 1,019,259	\$ -	\$ -	\$ 171,441	\$ 1,190,700
Intergovernmental:					
Federal, State and Local	236,147	-	287,935	151,205	675,287
Charges for Services	180,132	191,612	-	-	371,744
Fines and Forfeitures	-	-	71,127	-	71,127
Special Assessments	2,765	-	-	-	2,765
Interest	37,245	4,032	2,048	22,045	65,370
Other	139,163	-	123,625	40,280	303,068
Total Revenues	1,614,711	195,644	484,735	384,971	2,680,061
 Expenditures					
Current:					
General Government	573,669	-	-	-	573,669
Public Safety	-	-	836,738	-	836,738
Public Works	187,991	379,220	-	212,249	779,460
Community Development	74,690	-	-	-	74,690
Recreation and Cultural	35,531	-	-	-	35,531
Other Functions	60,853	-	-	4,785	65,638
Debt Service:					
Principal	-	-	-	140,000	140,000
Interest and Other Charges	-	-	-	48,875	48,875
Capital Outlay	-	-	-	92,170	92,170
Total Expenditures	932,734	379,220	836,738	498,079	2,646,771
Excess (Deficiency) of Revenues Over Expenditures	681,977	(183,576)	(352,003)	(113,108)	33,290
 Other Financing Sources (Uses)					
Transfers In	-	242,860	375,000	176,000	793,860
Transfers Out	(745,000)	-	-	(48,860)	(793,860)
Transfer In - Component Unit	-	-	-	50,000	50,000
Total Other Financing Sources (Uses)	(745,000)	242,860	375,000	177,140	50,000
Net Change in Fund Balance	(63,023)	59,284	22,997	64,032	83,290
Fund Balance - Beginning	511,360	63,875	79,946	486,597	1,141,778
Fund Balance - Ending	\$ 448,337	\$ 123,159	\$ 102,943	\$ 550,629	\$ 1,225,068

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, 2008

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

Net change in fund balance - total governmental funds	\$	83,290
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.		(47,543)
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>153,390</u>
Change in net assets in governmental activities	\$	<u><u>189,137</u></u>

VILLAGE OF LAKE ORION
Balance Sheet
Proprietary Fund
June 30, 2008

		<u>Enterprise Fund</u> <u>Water & Sewer</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$	3,908,247
Accounts Receivable		407,652
Inventory		13,707
Total Current Assets		<u>4,329,606</u>
Restricted Assets - Cash		<u>359,435</u>
Property, Plant and Equipment		11,033,129
Less: Accumulated Depreciation		<u>(4,949,736)</u>
Net Property, Plant and Equipment		<u>6,083,393</u>
Total Assets	\$	<u><u>10,772,434</u></u>
<u>LIABILITIES AND EQUITY</u>		
Current Liabilities:		
Accounts Payable	\$	713,400
Compensated Absences Payable		586
Deferred Revenue		3,870
General Obligation Bonds Payable		145,000
Total Current Liabilities		<u>862,856</u>
Current Liabilities Payable from Restricted Assets:		
Revenue Bonds Payable		95,000
Accrued Interest Payable		10,643
Total Current Liabilities Payable from Restricted Assets		<u>105,643</u>
Long-Term Liabilities:		
Compensated Absences Payable		12,686
General Obligation Bonds Payable		550,000
Revenue Bonds Payable (net of unamortized discount)		1,080,752
Total Long-Term Liabilities		<u>1,643,438</u>
Total Liabilities		<u>2,611,937</u>
Equity:		
Invested in Capital Assets, Net of Related Debt		4,212,641
Restricted for Debt Service		141,446
Unrestricted		3,806,410
Total Equity		<u>8,160,497</u>
Total Liabilities and Equity	\$	<u><u>10,772,434</u></u>

VILLAGE OF LAKE ORION
Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary Fund
For the Year Ended June 30, 2008

	Enterprise Fund
	Water & Sewer
<u>Operating Revenues:</u>	
Charges for Services	\$ 1,153,040
Penalty Charges	22,450
Miscellaneous	3,215
Total Operating Revenues	1,178,705
<u>Operating Expenses:</u>	
Salaries and Fringe Benefits	69,902
Water Purchases	373,103
Sewage Treatment	409,049
General and Administrative	54,106
Supplies	11,139
Contract Services	759
Equipment Repairs & Rentals	26,434
Depreciation and Amortization	207,614
Total Operating Expenses	1,152,106
Operating Income (Loss)	26,599
<u>Non-Operating Revenues (Expenses):</u>	
Property Taxes	162,463
Interest Earned	226,708
Interest Expense and Related Fees	(91,470)
Total Non-Operating Revenues (Expenses)	297,701
Income before Contributions and Transfers	324,300
Capital Contributions - Tap Fees	16,925
Net Income (Loss)	341,225
Fund Equity, Beginning	7,819,272
Fund Equity, Ending	\$ 8,160,497

VILLAGE OF LAKE ORION
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2008

	Enterprise Fund
	Water & Sewer
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from customers and users	\$ 1,181,991
Payments to Suppliers	(354,825)
Payments to Employees	(69,902)
Net Cash Provided by Operating Activities	757,264
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Property Taxes Levied	162,463
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Capital Contributions	16,925
Construction of Assets	(1,187,276)
Principal Paid on Capital Debt	(225,000)
Interest Paid on Capital Debt	(90,045)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,485,396)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Earned	226,708
Net Increase (Decrease) in Cash and Cash Equivalents	(338,961)
Cash and Cash Equivalents, Beginning	4,606,643
Cash and Cash Equivalents, Ending	\$ 4,267,682
Balance Sheet Classification of Cash and Cash Equivalents:	
Cash and Cash Equivalents	\$ 3,908,247
Restricted Assets	359,435
Total	\$ 4,267,682
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>	
Operating Income (Loss)	\$ 26,599
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization Expense	207,614
(Increase) Decrease in Receivables	2,326
Increase (Decrease) in Accounts Payable	520,993
Increase (Decrease) in Accrued Interest Payable	(1,228)
Increase (Decrease) in Deferred Revenue	960
Net Cash Provided by Operating Activities	\$ 757,264

VILLAGE OF LAKE ORION
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	\$ <u>100,237</u>
<u>LIABILITIES</u>	
Due to Other	\$ <u>100,237</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2008

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, 2008

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, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

Estimates

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2008

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, 2008.

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, 2008 consist of the following:

	<u>Restricted Assets</u>
Revenue Bond Reserve	\$ 217,989
Revenue Bond Debt Retirement	131,846
General Obligation Bonds Debt Retirement	<u>9,600</u>
	<u>\$ 359,435</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

5. Capital Assets

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

<u>Assets</u>	<u>Years</u>
Land Improvements	10-50
Buildings	40
Street and Road Improv.	50
Equipment	5-10
Vehicles	5-10

6. Compensated Absences

In accordance with contracts negotiated with the various employee groups of the Village and the Village's internal policy, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The long-term portion of compensated absences related to the governmental funds is a liability recorded in the Statement of Net Assets. This liability is composed of employees who retire and any unused vacation paid upon termination of employment. The total liability at June 30, 2008 is \$257,662.

7. Long-term Obligations

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

7. Long-term Obligations – Continued

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

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

8. Fund Equity

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$1,247,662 difference are as follows:

General Obligation Bonds Payable	\$ 990,000
Compensated Absences Payable	<u>257,662</u>
	<u>\$1,247,662</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2008

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 \$(47,543) difference are as follows:

Capital Outlay	\$ 92,170
Depreciation Expense	<u>(139,713)</u>
	<u>\$ (47,543)</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 \$153,390 difference are as follows:

Compensated Absences	\$ 13,390
Principal Repayments:	
General Obligation Bonds	<u>140,000</u>
	<u>\$ 153,390</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, 2008

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

A. Budgetary Information – Continued

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

1. The Village Charter requires two regular council meetings per month. By the second meeting in April, a proposed operating budget must be submitted to the Village Council for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them for the upcoming year.
2. A public hearing and adoption of the budget is required by the second meeting in May.
3. On or before June 15, the tax rate must be set and the budget is legally enacted through passage of a budget resolution (general appropriation act).
4. Formal budgetary integration is employed as a management control device for the General and Special Revenue Funds. Budgets for these funds are prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP). The General Fund and Special Revenue Fund budgets are adopted at the activity level.
5. Budget appropriations lapse at year end.
6. The Village Council may authorize supplemental appropriations (budget amendments) during the year. In 2008 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, 2008.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

Budgets for the General Fund and Special Revenue Funds are adopted at the activity level. Expenditures did not exceed budget appropriations for any activities as of June 30, 2008.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2008

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, 2008, the Village's book balance of its deposits was \$5,542,185; the total book balance was \$5,542,660, due to \$475 in cash on hand. The bank balance was \$5,614,545 which was exposed to custodial credit risk, as follows:

	<u>Bank</u>
	<u>Balance</u>
Insured by F.D.I.C.	\$1,083,318
Uninsured and Uncollateralized	<u>4,531,227</u>
Total	<u>\$5,614,545</u>

A reconciliation of cash for the primary government follows:

Cash and Cash Equivalents per:	
Statement of Net Assets	\$5,082,988
Restricted Assets-Statement of Net Assets	359,435
Statement of Fiduciary Net Assets	<u>100,237</u>
Total	<u>\$5,542,660</u>

At June 30, 2008, 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>\$510,179</u>	<u>\$510,179</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.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

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

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

<u>Deposits and Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Savings and Checking Accounts	\$ 718,246	Demand
Money Market Accounts (Share price=\$1)	163,131	Demand
Pooled Investments(Share price=\$1)	743,347	Demand
Certificates of Deposits-Less than one year	4,300,000	324 days
Certificates of Deposits-More than one year	<u>200,000</u>	390 days
	<u>\$ 6,124,724</u>	

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

<u>Governmental Activities:</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Capital Assets, not depreciated:				
Land	\$ 498,484	\$ -	\$ -	\$ 498,484
Capital Assets, being depreciated:				
Land Improvements	394,963	-	-	394,963
Street and Road Improvements	1,999,507	-	-	1,999,507
Building and Improvements	897,891	-	-	897,891
Machinery and Equipment	278,199	63,081	-	341,280
Vehicles	502,337	29,089	-	531,426
	<u>4,072,897</u>	<u>92,170</u>	<u>-</u>	<u>4,165,067</u>
Less: Accumulated Depreciation:				
Land Improvements	(92,004)	(24,140)	-	(116,144)
Street and Road Improvements	(325,995)	(39,990)	-	(365,985)
Building and Improvements	(555,369)	(18,318)	-	(573,687)
Machinery and Equipment	(220,614)	(39,773)	-	(260,387)
Vehicles	(378,455)	(17,492)	-	(395,947)
	<u>(1,572,437)</u>	<u>(139,713)</u>	<u>-</u>	<u>(1,712,150)</u>
Governmental Activities				
Capital Assets, net	<u>\$ 2,998,944</u>	<u>\$ (47,543)</u>	<u>\$ -</u>	<u>\$ 2,951,401</u>

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

General Government	\$ 42,544
Public Safety	19,074
Public Works	69,885
Recreation and Cultural	8,210
	<u>\$ 139,713</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets – Continued

<u>Business-type Activities:</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Capital Assets, being depreciated:				
Water and Sewer Mains	\$ 8,766,938	\$ 1,171,276	\$ -	\$ 9,938,214
Equipment	178,202	16,000	-	194,202
Intangible Assets-Water Lines	900,713	-	-	900,713
	<u>9,845,853</u>	<u>1,187,276</u>	<u>-</u>	<u>11,033,129</u>
Less: Accumulated Depreciation:				
Water and Sewer Mains	(4,310,366)	(174,221)	-	(4,484,587)
Equipment	(139,024)	(10,875)	-	(149,899)
Intangible Assets-Water Lines	(292,732)	(22,518)	-	(315,250)
	<u>(4,742,122)</u>	<u>(207,614)</u>	<u>-</u>	<u>(4,949,736)</u>
Business-type Activities				
Capital Assets, net	<u>\$ 5,103,731</u>	<u>\$ 979,662</u>	<u>\$ -</u>	<u>\$ 6,083,393</u>

<u>Component Unit-DDA:</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Capital Assets, being depreciated:				
Land Improvements	\$ 460,720	\$ -	\$ -	\$ 460,720
Street and Road Improvements	905,000	50,059	-	955,059
Building and Improvements	499,000	-	-	499,000
Equipment	7,028	4,554	-	11,582
	<u>1,871,748</u>	<u>54,613</u>	<u>-</u>	<u>1,926,361</u>
Less: Accumulated Depreciation:				
Land Improvements	(332,598)	(20,129)	-	(352,727)
Street and Road Improvements	(171,950)	(19,769)	-	(191,719)
Building and Improvements	(6,238)	(12,475)	-	(18,713)
Equipment	(2,458)	(1,577)	-	(4,035)
	<u>(513,244)</u>	<u>(53,950)</u>	<u>-</u>	<u>(567,194)</u>
Component Unit				
Capital Assets, net	<u>\$ 1,358,504</u>	<u>\$ 663</u>	<u>\$ -</u>	<u>\$ 1,359,167</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2008

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, 2008, is as follows:

<u>Advance Receivable Fund</u>	<u>Advance Payable Fund</u>	<u>Amount</u>
General Fund	Longpointe Special Assessment	<u>\$ 708</u>

D. Long-Term Debt

The following is a summary of long-term debt transactions of the Village for the year ended June 30, 2008:

	Balance July 1, 2007	Add: Additional Debt Incurred	Less: Retirements and Payments on Debt	Balance June 30, 2008	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 995,000	\$ -	\$ 130,000	\$ 865,000	\$145,000
MTF Bonds	135,000	-	10,000	125,000	10,000
Compensated Absences	271,052	-	13,390	257,662	15,162
Total Governmental Activities	<u>1,401,052</u>	<u>-</u>	<u>153,390</u>	<u>1,247,662</u>	<u>170,162</u>
Business-type Activities:					
Revenue Bonds	1,280,000	-	90,000	1,190,000	95,000
G.O. Refunding Bonds	830,000	-	135,000	695,000	145,000
Compensated Absences	13,272	-	-	13,272	586
Total Business-type Activities	<u>2,123,272</u>	<u>-</u>	<u>225,000</u>	<u>1,898,272</u>	<u>240,586</u>
Total	<u>\$3,524,324</u>	<u>\$ -</u>	<u>\$ 378,390</u>	<u>\$3,145,934</u>	<u>\$410,748</u>
Component Unit - DDA:					
Land Contract	<u>\$ 299,000</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ 224,000</u>	<u>\$ 75,000</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the Village as of June 30, 2008:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Governmental Activities:				
General Oblig. Bonds	1	4.50-4.85%	2012	\$ 865,000
MTF Bonds	1	5.00%	2017	125,000
				<u>\$ 990,000</u>
Business-type Activities:				
Revenue Bonds	1	4.85-5.00%	2018	\$ 1,190,000
G.O. Refunding Bonds	1	3.00-3.63%	2013	695,000
				<u>\$ 1,885,000</u>
Component Unit:				
DDA Land Contract	1	6.00%	2011	<u>\$ 224,000</u>

The annual debt service requirements to maturity for general obligation debt outstanding as of June 30, 2008 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>
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	200,000	19,010	245,000	54,367
2013	210,000	9,100	255,000	44,075
2014-2018	75,000	11,250	665,000	103,000
	<u>\$ 990,000</u>	<u>\$ 147,590</u>	<u>\$ 1,885,000</u>	<u>\$ 421,655</u>

<u>Year Ended</u>	<u>Component Unit - DDA</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 75,000	\$ 10,815
2010	75,000	6,315
2011	74,000	1,850
	<u>\$ 224,000</u>	<u>\$ 18,980</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

E. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at June 30, 2008, is presented below:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Permanent Fund</u>
Reserved for:					
Public Right of Ways	\$ 12,670	\$ -	\$ -	\$ -	\$ -
Perpetual Care	-	-	-	-	197,202
Advances	708	-	-	-	-
Prepaid Expenditures	9,410	16,646	-	-	-
Debt Service	-	-	20,129	-	-
Total Reserved	<u>22,788</u>	<u>16,646</u>	<u>20,129</u>	-	<u>197,202</u>
Unreserved:					
Designated for Subsequent Year's Expenditures	55,954	213,227	-	-	-
Undesignated	<u>369,595</u>	<u>97,801</u>	-	<u>231,726</u>	-
Total Fund Balance	<u>\$ 448,337</u>	<u>\$ 327,674</u>	<u>\$ 20,129</u>	<u>\$ 231,726</u>	<u>\$ 197,202</u>

F. Property Taxes

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

The Village is permitted by State law to levy taxes up to \$20 per \$1,000 of equalized valuation for general governmental services. The following is a summary of the tax rates levied on the 2007 tax roll:

<u>Purpose</u>	<u>Authorization</u>	<u>Authorized Rate</u>	<u>Per \$1,000 of State Equalized Value Authorized Rate Post "Roll Back"</u>	<u>Rate Levied</u>	<u>Tax Margin</u>
Operating	State Law	20.00	12.0923	9.8000	2.2923
Debt	Voted	-	-	1.0018	-
Debt	Voted	-	-	1.2500	-

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

F. Property Taxes – Continued

Under terms of an agreement with the Charter Township of Orion, the Township remits to the Village the equivalent of two mills (as rolled back by State law) of property taxes, which represents a special-voted tax levied on all Township residents (including Village residents) for police services. In accordance with the agreement, the Village will decrease its tax levy by an equal amount. The December 1, 2007 Township tax levy is paid by residents through February 2008. The Township remits its payment to the Village through June 2008, which will be used to replace the July 1, 2008 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, 2007.

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2008

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, 2005 as follows:

General - Union	9.93%
General Non-Union	15.65%
Police	5.87%
Police-Dispatchers**	\$1,505 per month

**No longer includes active employees.

c. Annual Pension Cost

During the fiscal year ended June 30, 2008, the Village's contributions totaling \$114,137 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2005. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information

Fiscal Year Ended <u>June 30,</u>	Valuation Date <u>Dec. 31</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2006	2003	\$ 91,387	100%	\$-0-
2007	2004	106,244	100%	-0-
2008	2005	114,137	100%	-0-

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2008

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, 2008, 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 9.00% of the employee's gross earnings. During the year, the Village's required and actual contributions amounted to \$6,851. There were no employee contributions.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2008

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 four having no contribution required by the participants and five that have 25% contribution requirements. Expenditures for post employment health care benefits are recognized as the insurance premiums become due. During the year, this amounted to \$96,426, 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.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF LAKE ORION
Required Supplementary Information – (Unaudited)
Defined Benefit Pension Plans – Trend Information
For the Year Ended June 30, 2008

Required Supplementary Information for GASB 27

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/95	\$1,786,206	\$1,951,491	\$165,285	92%	\$583,606	28%
12/31/96	1,921,965	2,148,582	226,617	89	592,929	38
12/31/97	2,084,296	2,253,909	169,613	92	603,062	28
12/31/98	2,294,440	2,296,960	2,520	100	628,208	-0-
12/31/99	2,619,818	2,446,538	(173,280)	107	682,067	-0-
12/31/00	2,863,422	2,681,729	(181,693)	107	682,298	-0-
12/31/01	2,987,853	3,293,592	305,739	91	611,424	50
12/31/02	2,897,735	3,531,780	634,045	82	711,796	89
12/31/03	2,917,657	3,635,754	718,097	80	745,628	96
12/31/04	2,942,036	3,697,534	755,498	80	709,702	106
12/31/05	2,976,858	3,828,505	851,647	78	797,523	107
12/31/06	3,073,182	3,889,352	816,170	79	826,567	99
12/31/07	3,207,644	3,931,902	754,258	81	905,082	83

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2007 the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	
Includes inflation at 4.5%	4.5 - 12.9%
Cost of living adjustments	None

VILLAGE OF LAKE ORION
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 977,000	\$ 977,000	\$ 981,691	\$ 4,691
Penalties and Interest	13,500	13,500	14,354	854
In Lieu of Taxes	22,660	22,660	23,214	554
Special Assessments	3,500	3,500	2,765	(735)
Intergovernmental - Federal/CDBG	18,700	18,700	1,171	(17,529)
Intergovernmental - State	207,000	207,000	234,976	27,976
Charges for Services	183,000	183,000	180,132	(2,868)
Interest Earnings	30,000	30,000	37,245	7,245
Administration Fees	114,000	114,000	114,000	-
Other Revenues	6,500	6,500	25,163	18,663
Total Revenues	<u>1,575,860</u>	<u>1,575,860</u>	<u>1,614,711</u>	<u>38,851</u>
Expenditures:				
General Government:				
Village Council	5,000	5,000	4,311	689
Village Manager	83,002	120,890	118,773	2,117
Clerk	112,930	112,930	110,862	2,068
Treasurer	136,932	136,932	133,166	3,766
Municipal Building	151,740	151,740	144,289	7,451
Data Processing	7,500	7,500	5,157	2,343
Professional Services	76,300	76,300	57,111	19,189
	<u>573,404</u>	<u>611,292</u>	<u>573,669</u>	<u>37,623</u>
Public Works:				
Sanitation	150,000	150,000	149,904	96
Street Lighting	43,000	43,000	38,087	4,913
	<u>193,000</u>	<u>193,000</u>	<u>187,991</u>	<u>5,009</u>
Health and Welfare:				
Community Development Block Grant	18,700	18,700	-	18,700
Community and Economic Development:				
Planning and Zoning	83,550	83,550	74,690	8,860
Recreation and Cultural:				
Parks and Recreation	38,100	38,100	35,531	2,569
Other Functions:				
Insurance	60,000	60,000	58,369	1,631
Community Promotion	3,000	3,000	2,484	516
	<u>63,000</u>	<u>63,000</u>	<u>60,853</u>	<u>2,147</u>
Total Expenditures	<u>969,754</u>	<u>1,007,642</u>	<u>932,734</u>	<u>74,908</u>
Excess of Revenues Over Expenditures	606,106	568,218	681,977	113,759
Other Financing Uses:				
Operating Transfers Out	(745,000)	(745,000)	(745,000)	-
Net Change in Fund Balance	(138,894)	(176,782)	(63,023)	113,759
Fund Balance - July 1	511,360	511,360	511,360	-
Fund Balance - June 30	<u>\$ 372,466</u>	<u>\$ 334,578</u>	<u>\$ 448,337</u>	<u>\$ 113,759</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Equipment Rental	90,000	90,000	125,214	35,214
Cemetery	40,000	40,000	35,771	(4,229)
Interest Income	1,000	1,000	4,032	3,032
Other	-	-	627	627
Total Revenues	<u>161,000</u>	<u>161,000</u>	<u>195,644</u>	<u>34,644</u>
Expenditures:				
Wages and Benefits	282,862	282,862	259,507	23,355
Repairs and Maintenance	16,500	16,500	14,005	2,495
Other	40,800	40,800	36,285	4,515
Cemetery	55,050	60,050	56,739	3,311
Phase II Stormwater	36,000	36,000	12,684	23,316
Total Expenditures	<u>431,212</u>	<u>436,212</u>	<u>379,220</u>	<u>56,992</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(270,212)</u>	<u>(275,212)</u>	<u>(183,576)</u>	<u>91,636</u>
Other Financing Sources:				
Transfers In	<u>243,000</u>	<u>243,000</u>	<u>242,860</u>	<u>(140)</u>
Net Change in Fund Balance	(27,212)	(32,212)	59,284	91,496
Fund Balance, July 1	<u>63,875</u>	<u>63,875</u>	<u>63,875</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 36,663</u>	<u>\$ 31,663</u>	<u>\$ 123,159</u>	<u>\$ 91,496</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental-State	\$ 4,000	\$ 4,000	\$ 4,040	\$ 40
Intergovernmental-Local	287,400	287,400	283,895	(3,505)
Fines and Forfeitures	75,000	75,000	71,127	(3,873)
Interest Income	500	500	2,048	1,548
Other	130,500	130,500	123,625	(6,875)
Total Revenues	<u>497,400</u>	<u>497,400</u>	<u>484,735</u>	<u>(12,665)</u>
Expenditures:				
Wages and Benefits	740,126	740,126	707,358	32,768
Other	152,200	152,200	129,380	22,820
Total Expenditures	<u>892,326</u>	<u>892,326</u>	<u>836,738</u>	<u>55,588</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(394,926)</u>	<u>(394,926)</u>	<u>(352,003)</u>	<u>42,923</u>
Other Financing Sources (Uses):				
Transfers In	<u>375,000</u>	<u>375,000</u>	<u>375,000</u>	<u>-</u>
Net Change in Fund Balance	(19,926)	(19,926)	22,997	42,923
Fund Balance, July 1	<u>79,946</u>	<u>79,946</u>	<u>79,946</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 60,020</u>	<u>\$ 60,020</u>	<u>\$ 102,943</u>	<u>\$ 42,923</u>

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF LAKE ORION
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project Flint Street</u>	<u>Permanent Fund Cemetery</u>	<u>Total</u>
<u>ASSETS</u>					
Cash	\$ 83,822	\$ 18,073	\$ 231,726	\$ 192,453	\$ 526,074
Accounts Receivable	-	-	-	4,749	4,749
Special Assessment Receivable	-	2,764	-	-	2,764
Due from State	24,771	-	-	-	24,771
Total Assets	<u>\$ 108,593</u>	<u>\$ 20,837</u>	<u>\$ 231,726</u>	<u>\$ 197,202</u>	<u>\$ 558,358</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ 7,021	\$ -	\$ -	\$ -	\$ 7,021
Advance from Other Funds	-	708	-	-	708
Total Liabilities	<u>7,021</u>	<u>708</u>	<u>-</u>	<u>-</u>	<u>7,729</u>
Fund Balance:					
Reserved for Debt Service	-	20,129	-	-	20,129
Reserved for Perpetual Care	-	-	-	197,202	197,202
Unreserved	101,572	-	231,726	-	333,298
Total Fund Balance	<u>101,572</u>	<u>20,129</u>	<u>231,726</u>	<u>197,202</u>	<u>550,629</u>
Total Liabilities and Fund Balance	<u>\$ 108,593</u>	<u>\$ 20,837</u>	<u>\$ 231,726</u>	<u>\$ 197,202</u>	<u>\$ 558,358</u>

VILLAGE OF LAKE ORION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project Flint Street</u>	<u>Permanent Fund Cemetery</u>	<u>Total</u>
<u>Revenues:</u>					
Property Tax Revenue	\$ -	\$ 171,441	\$ -	\$ -	\$ 171,441
State-Shared Revenue	151,205	-	-	-	151,205
Interest Earned	3,721	1,815	7,648	8,861	22,045
Other Revenues	26,240	-	-	14,040	40,280
Total Revenues	<u>181,166</u>	<u>173,256</u>	<u>7,648</u>	<u>22,901</u>	<u>384,971</u>
<u>Expenditures:</u>					
Highways, Streets, Sidewalks and Other Maintenance	212,249	-	-	-	212,249
Other	4,785	-	-	-	4,785
Debt Service:					
Principal	-	140,000	-	-	140,000
Interest and Other Charges	-	48,875	-	-	48,875
Capital Outlay	92,170	-	-	-	92,170
Total Expenditures	<u>309,204</u>	<u>188,875</u>	<u>-</u>	<u>-</u>	<u>498,079</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(128,038)</u>	<u>(15,619)</u>	<u>7,648</u>	<u>22,901</u>	<u>(113,108)</u>
Other Financing Sources (Uses):					
Operating Transfers In	161,000	15,000	-	-	176,000
Operating Transfers Out	(40,000)	-	-	(8,860)	(48,860)
Operating Transfers In-Component Unit	-	-	50,000	-	50,000
Total Other Financing Sources (Uses)	<u>121,000</u>	<u>15,000</u>	<u>50,000</u>	<u>(8,860)</u>	<u>177,140</u>
Change in Fund Balance	(7,038)	(619)	57,648	14,041	64,032
Fund Balance - July 1	<u>108,610</u>	<u>20,748</u>	<u>174,078</u>	<u>183,161</u>	<u>486,597</u>
Fund Balance - June 30	<u>\$ 101,572</u>	<u>\$ 20,129</u>	<u>\$ 231,726</u>	<u>\$ 197,202</u>	<u>\$ 550,629</u>

VILLAGE OF LAKE ORION
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2008

	<u>Major Street</u>	<u>Local Street</u>	<u>Capital Improvement</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ -	\$ 37,576	\$ 46,246	\$ 83,822
Due from State	<u>17,169</u>	<u>7,602</u>	<u>-</u>	<u>24,771</u>
Total Assets	<u>\$ 17,169</u>	<u>\$ 45,178</u>	<u>\$ 46,246</u>	<u>\$ 108,593</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ 5,830	\$ -	\$ 1,191	\$ 7,021
Fund Balance:				
Unreserved	<u>11,339</u>	<u>45,178</u>	<u>45,055</u>	<u>101,572</u>
Total Liabilities and Fund Balance	<u>\$ 17,169</u>	<u>\$ 45,178</u>	<u>\$ 46,246</u>	<u>\$ 108,593</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, 2008

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Capital Improvement</u>	<u>Total</u>
Revenues:				
State-Shared Revenue	\$ 104,813	\$ 46,392	\$ -	\$ 151,205
Interest Earned	539	1,078	2,104	3,721
Other Revenues	-	2,360	23,880	26,240
Total Revenues	<u>105,352</u>	<u>49,830</u>	<u>25,984</u>	<u>181,166</u>
Expenditures:				
Highways, Streets, Sidewalks and Other Maintenance	102,968	109,281	-	212,249
Other	-	-	4,785	4,785
Capital Outlay	-	-	92,170	92,170
Total Expenditures	<u>102,968</u>	<u>109,281</u>	<u>96,955</u>	<u>309,204</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,384</u>	<u>(59,451)</u>	<u>(70,971)</u>	<u>(128,038)</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	94,000	67,000	161,000
Operating Transfers Out	<u>(25,000)</u>	<u>(15,000)</u>	<u>-</u>	<u>(40,000)</u>
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>79,000</u>	<u>67,000</u>	<u>121,000</u>
Change in Fund Balance	(22,616)	19,549	(3,971)	(7,038)
Fund Balance - July 1	<u>33,955</u>	<u>25,629</u>	<u>49,026</u>	<u>108,610</u>
Fund Balance - June 30	<u>\$ 11,339</u>	<u>\$ 45,178</u>	<u>\$ 45,055</u>	<u>\$ 101,572</u>

VILLAGE OF LAKE ORION
Nonmajor Debt Service Funds
Combining Balance Sheet
June 30, 2008

	<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	\$ 16,240	\$ 1,205	\$ 628	\$ 18,073
Special Assessments Receivable	<u>-</u>	<u>2,764</u>	<u>-</u>	<u>2,764</u>
Total Assets	<u>\$ 16,240</u>	<u>\$ 3,969</u>	<u>\$ 628</u>	<u>\$ 20,837</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Advance from Other Funds	\$ -	\$ 708	\$ -	\$ 708
Fund Balance				
Reserved for Debt Service	<u>16,240</u>	<u>3,261</u>	<u>628</u>	<u>20,129</u>
Total Liabilities and Fund Balance	<u>\$ 16,240</u>	<u>\$ 3,969</u>	<u>\$ 628</u>	<u>\$ 20,837</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, 2008

	<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	\$ 171,441	\$ -	\$ -	\$ 171,441
Interest Income	<u>1,374</u>	<u>429</u>	<u>12</u>	<u>1,815</u>
Total Revenues	<u>172,815</u>	<u>429</u>	<u>12</u>	<u>173,256</u>
<u>Expenditures:</u>				
Principal	130,000	-	10,000	140,000
Interest and Other Charges	<u>43,925</u>	<u>-</u>	<u>4,950</u>	<u>48,875</u>
Total Expenditures	<u>173,925</u>	<u>-</u>	<u>14,950</u>	<u>188,875</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,110)	429	(14,938)	(15,619)
<u>Other Financing Sources:</u>				
Operating Transfer In	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>
Change in Fund Balance	(1,110)	429	62	(619)
Fund Balance - July 1	<u>17,350</u>	<u>2,832</u>	<u>566</u>	<u>20,748</u>
Fund Balance - June 30	<u>\$ 16,240</u>	<u>\$ 3,261</u>	<u>\$ 628</u>	<u>\$ 20,129</u>

VILLAGE OF LAKE ORION
Combined Balance Sheet
Component Unit - DDA
June 30, 2008

	<u>Downtown Development Authority</u>	<u>DDA Property Acquisition Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash	\$ 389,085	\$ 121,094	\$ 510,179
Accounts Receivable	3,157	-	3,157
Delinquent Taxes Receivable	4,356	-	4,356
Prepaid Expenditures	<u>1,745</u>	<u>-</u>	<u>1,745</u>
Total Assets	<u>\$ 398,343</u>	<u>\$ 121,094</u>	<u>\$ 519,437</u>

Liabilities and Fund Balance

Liabilities:			
Accounts Payable	\$ 45,105	\$ 385	\$ 45,490
Deferred Revenue	<u>4,356</u>	<u>-</u>	<u>4,356</u>
Total Liabilities	49,461	385	49,846
Fund Balance	<u>348,882</u>	<u>120,709</u>	<u>469,591</u>
Total Liabilities and Fund Balance	<u>\$ 398,343</u>	<u>\$ 121,094</u>	<u>\$ 519,437</u>

Reconciliation to Statement of Net Assets (page 11):

Fund Balance at June 30, 2008	\$ 469,591
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,359,167
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(224,000)</u>
Net Assets of Governmental Activities-Component Unit	<u>\$ 1,604,758</u>

VILLAGE OF LAKE ORION
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
Component Unit - DDA
June 30, 2008

	Downtown Development Authority	DDA Property Acquisition Fund	Total
Revenues			
Property Taxes	\$ 679,517	\$ -	\$ 679,517
Intergovernmental:			
Federal, State and Local	68,682	-	68,682
Charges for Services	23,936	-	23,936
Interest	16,695	1,594	18,289
Other	11,753	-	11,753
Total Revenues	<u>800,583</u>	<u>1,594</u>	<u>802,177</u>
Expenditures			
Community Development	469,756	15,892	485,648
Debt Service:			
Principal	-	75,000	75,000
Interest and Other Charges	-	15,315	15,315
Capital Outlay	54,613	-	54,613
Total Expenditures	<u>524,369</u>	<u>106,207</u>	<u>630,576</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>276,214</u>	<u>(104,613)</u>	<u>171,601</u>
Other Financing Sources (Uses)			
Transfers In	-	195,000	195,000
Transfers Out	(195,000)	-	(195,000)
Transfer Out - Primary Government	(50,000)	-	(50,000)
Total Other Financing Sources (Uses)	<u>(245,000)</u>	<u>195,000</u>	<u>(50,000)</u>
Net Change in Fund Balance	31,214	90,387	121,601
Fund Balance - Beginning	<u>317,668</u>	<u>30,322</u>	<u>347,990</u>
Fund Balance - Ending	<u>\$ 348,882</u>	<u>\$ 120,709</u>	<u>\$ 469,591</u>

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

Net Change in Fund Balance at June 30, 2008	\$ 121,601
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents capital outlay in excess of depreciation in the current period.	663
Repayment of the principal of long-term debt is recorded as an expenditure in governmental funds. In the Statement of Net Assets, it is a reduction in the long-term debt payable. This amount represents the principal paid on long-term debt in the current year plus additional debt incurred.	<u>75,000</u>
Change in Net Assets-Component Unit	<u>\$ 197,264</u>

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Governmental Funds
June 30, 2008

1998 General Obligation Unlimited Tax Bonds

Date of Issue: April 1, 1998

Total Issue \$ 1,700,000

Interest Due May 1 and November 1

Due As Follows:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
4.50%	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>\$ 865,000</u>	<u>\$ 110,090</u>	<u>\$ 975,090</u>

2003 Michigan Transportation Fund Bonds

Date of Issue: May 1, 2003

Total Issue \$ 175,000

Interest Due April 1 and October 1

Due As Follows:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
5.00%	10/01/08	\$ 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>\$ 125,000</u>	<u>\$ 37,500</u>	<u>\$ 162,500</u>

2006 DDA Land Contract

Date of Loan: November 14, 2006

Total Loan \$ 299,000

Due As Follows:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
6.00%	11/14/08	\$ 75,000	\$ 10,815	\$ 85,815
6.00%	11/14/09	75,000	6,315	81,315
6.00%	11/14/10	74,000	1,850	75,850
		<u>\$ 224,000</u>	<u>\$ 18,980</u>	<u>\$ 242,980</u>

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Proprietary Fund
June 30, 2008

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%	06/01/09	\$ 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>\$ 1,190,000</u>	<u>\$ 349,842</u>	<u>\$ 1,539,842</u>

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

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

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
3.00%	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>\$ 695,000</u>	<u>\$ 71,813</u>	<u>\$ 766,813</u>

