Village of Otter Lake

Lapeer & Genesee Counties, Michigan

Audited Financial Report
February 28, 2005

Lehn L. King
Certified Public Accountant
Marlette, Michigan

Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

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

RECEIVED
DEPT. OF TREASURY
AUG 19 2005
LOCAL AUDIT & FINANCE DIV.

Local Government Type	Local Government Name	County
☐ City ☐ Township ☑ Village ☐ Other	Village of Otter Lake	Lapeer & Genesee

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
4/26/05	5/4/05	8/18/05

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

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

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

You must check the applicable box for each item below.

☐ Yes ☑ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ Yes ☑ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☐ Yes ☑ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ Yes ☑ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ Yes ☑ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ Yes ☑ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☐ Yes ☑ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

☐ Yes ☑ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ Yes ☑ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

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

Certified Public Accountant (Firm Name)			
Lehn L. King, C.P.A.			
Street Address	City	State	ZIP
3531 Main Street	Marlette	MI	48453
Accountant Signature		Date	
		7/12/05	

Village of Otter Lake

Annual Financial Report
For The Fiscal Year Ended February 28, 2005

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LEHN L. KING
Certified Public Accountant

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Members of the Village Council
Village of Otter Lake
Lapeer County, Michigan

Independent Auditor's Report

I have examined the General Purpose Financial Statements of the Village of Otter Lake as of February 28, 2005, and for the year then ended, as listed in the Table of Contents. These financial statements are the responsibility of the Village's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that the audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Otter Lake, Michigan as of February 28, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

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

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of March 1, 2004.

Lehn King
Certified Public Accountant

May 4, 2005

VILLAGE OF OTTER LAKE
Otter Lake, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Village of Otter Lake's financial performance provides an overview of the Village's financial activities for the fiscal year ended February 28, 2005. Please read it in conjunction with the Village's financial statements.

Financial Highlights

The Village of Otter Lake has undertaken the construction of a sewer collection and treatment system. This project will be completed on the basis of a loan, not to exceed $2,540,000, and a grant, not to exceed $1,730,000. The loan is to be serviced with a Special Assessment of $10,475 per Village property. The total Special Assessment roll is 242.5 customers using the system over the period of 40 years. The annual operations charge for each of the customers is $236.05.

The Village has contracted with Michigan Department of Transportation on a street project that is supposed to initiated upon completion of the sewer project. The projected cost of the road project is approximately $430,000, to be funded by a federal grant.

The Village of Otter Lake has implemented a Downtown Development Authority (DDA). The reason for this is to capture incremental tax increases from the various taxing units of government. This captured tax is to be used to develop the downtown area of the Village of Otter Lake.

Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the Village's annual report.

The Village as a Whole

The Village of Otter Lake's cash balances are as follows:

	February 28, 2005	February 28, 2004
General Fund	$ 41,531	$ 25,312
Major Streets Fund	22,340	2,911
Local Streets Fund	6,634	4,356
Capital Improvement Fund	881	-
Special Assessment Obligation Bond Fund	125,925	-
Debt Retirement Obligation Bond Fund	10,491	-
Total for Village	$ 207,802	$ 32,579

Village of Otter Lake

Governmental Activities

The Village of Otter Lake's Revenues and Expenditures can be summarized as follows:

	General Fund	Street Funds	Capital Project Fund	Debt Service Funds	Total Governmental Activities
Fund Balance - Beginning of Year	$ 98,640	$ 14,467	$ -	$ -	$ 113,107
Revenue Collected					
Intergovernmental Revenue	47,294	48,451	-	-	95,745
Property Taxes	84,762	-	-	-	84,762
Special Assessments / Bond Proceeds	-	-	916,594	136,175	1,052,769
Other	93,584	54	343	241	94,222
Total Revenue Collected	225,640	48,505	916,937	136,416	1,327,498
Expenditures					
General Government	91,886	-	-	-	91,886
Public Safety	32,129	-	-	-	32,129
Public Works	69,513	32,934	-	-	102,447
Recreation & Culture	30,137	-	-	-	30,137
Capital Outlay	7,300	-	714,157	-	721,457
Debt Service	26,891	-	201,999	-	228,890
Transfers	3,628	(3,628)	-	-	-
Total Expenditures	261,484	29,306	916,156	-	1,206,946
Fund Balance - End of Year	$ 62,796	$ 33,666	$ 781	$ 136,416	$ 233,659

Economic Factors and Next Year's Budget and Rates

2005 / 2006 Budget	General Fund	Street Funds	Capital Project Fund	Debt Service Funds
Revenue	$ 227,980	$ 461,778	$ -	$ -
Expenditures	197,070	489,257	-	-
Net Difference	$ 30,910	$ (27,479)	$ -	$ -
Fund Balance Available	$ 62,796	$ 33,666	$ 781	$ 136,416

The Village of Otter Lake's General Fund budget for next year is approximately the same budget as a year ago. The Street Funds had a significant increase in the budget due to the projected receipt of a grant of $430,000 and the completion of a road project of $460,000. Budgets were not adopted for the Capital Project Fund and the Debt Service Funds. All other future activities of the Village seem to be consistent with past years.

Village of Otter Lake

Contacting the Village

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Village office at 5902 Genesee, Box 193, Otter Lake, Michigan or by telephone at (810) 793-2665.

David Dorr
Village of Otter Lake President

Village of Otter Lake

Statement of Net Assets (Deficit)

February 28, 2005

	Primary Government Governmental Activities
Assets	
Cash & Cash Equivalents	$ 207,801.74
Receivables:	
Property Taxes	34,445.26
Special Assessments	2,414,475.00
Grants	354,593.94
Capital Assets	
Nondepreciable Capital Assets	57,700.00
Depreciable Capital Assets	1,436,401.84
Total Assets	4,505,417.78
Liabilities	
Accounts Payable	363,181.66
Accrued Interest Payable	18,645.00
Current Portion of Long-Term Debt	16,451.00
Noncurrent Liabilities:	
Long-Term Debt	1,080,151.94
Total Liabilities	1,478,429.60
Net Assets (Deficit)	
Invested in Capital Assets - Net of Related Debt	378,853.90
Restricted:	
Reserved for Debt Service	2,414,475.00
Reserved for Capital Projects	781.25
Reserved for Class D Engineering	30,332.00
Unrestricted	202,546.03
Total Net Assets (Deficit)	$ 3,026,988.18

The notes are an integral part of the statements.

Village of Otter Lake

Statement of Activities

For the Year Ended February, 28, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Contributions	Program Revenues: Capital Grants & Contributions	Net (Expense) Revenue & Changes in Net Assets: Primary Government Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	$ 93,359.61	$ 14,226.23	$ -	$ -	$ (79,133.38)
Public Safety	32,128.80	-	-	-	(32,128.80)
Public Works	119,601.15	-	48,451.05	2,550,650.00	2,479,499.90
Recreation & Culture	32,085.30	50,441.04	-	3,681.15	22,036.89
Interest on Long-Term Debt	8,836.72	-	-	-	(8,836.72)
Total Governmental Activities	$ 286,011.58	$ 64,667.27	$ 48,451.05	$ 2,554,331.15	$ 2,381,437.89
General Revenues:					
Property Taxes					$ 84,762.73
State Shared Revenues					47,294.00
Interest					1,159.75
Other Revenues					24,713.31
Transfers					-
Total General Revenues, Special Items & Transfers					157,929.79
Change in Net Assets					2,539,367.68
Net Assets (Deficit) - Beginning of Year					487,620.50
Net Assets (Deficit) - End of Year					$ 3,026,988.18

The notes are an integral part of the statements.

Village of Otter Lake

Balance Sheet
Governmental Funds
February 28, 2005

	General Fund	Major Streets Fund	Local Street Fund	Debt Service Funds: Special Assessment Obligation Bond Fund	Debt Service Funds: Debt Retirement Obligation Bond Fund	Capital Project Fund	Total Governmental Funds
Assets							
Cash & Cash Equivalents	$ 41,530.92	$ 22,340.31	$ 6,633.74	$ 125,924.53	$ 10,490.99	$ 881.25	$ 207,801.74
Taxes Receivable	26,230.26	5,781.13	2,433.87	-	-	-	34,445.26
Grant Receivable	-	-	-	-	-	354,593.94	354,593.94
Due From Other Funds	100.00	-	-	-	-	-	100.00
Total Assets	$ 67,861.18	$ 28,121.44	$ 9,067.61	$ 125,924.53	$ 10,490.99	$ 355,475.19	$ 596,940.94
Liabilities & Fund Equity							
Liabilities							
Accounts Payable	$ 5,064.74	$ 348.70	$ 3,174.28	$ -	$ -	$ 354,593.94	$ 363,181.66
Due To Other Funds	-	-	-	-	-	100.00	100.00
Total Liabilities	5,064.74	348.70	3,174.28	-	-	354,693.94	363,281.66
Fund Equity							
Fund Balances:							
Reserved for Capital Projects	-	-	-	-	-	781.25	781.25
Reserved for Debt Service	-	-	-	125,924.53	10,490.99	-	136,415.52
Reserved for Class D Engineering	30,332.00	-	-	-	-	-	30,332.00
Unreserved - Undesignated	32,464.44	27,772.74	5,893.33	-	-	-	66,130.51
Total Fund Equity	62,796.44	27,772.74	5,893.33	125,924.53	10,490.99	781.25	233,659.28
Total Liab. & Fund Equity	$ 67,861.18	$ 28,121.44	$ 9,067.61	$ 125,924.53	$ 10,490.99	$ 355,475.19	$ 596,940.94

The notes are an integral part of the statements.

Village of Otter Lake

Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)
For The Year Ended February 28, 2005

Total Fund Balances for Governmental Funds	$ 233,659.28
Amounts reported for governmental activities in the statement of net assets (deficit) are different because:	
Capital Assets used in Governmental Activities are not financial resources and are not reported in the Funds	1,494,101.84
Special assessment receivables are expected to be collected over several years, and are not available to pay for current year expenditures	2,414,475.00
Long-term bonds payable are not due and payable in the current period and are not reported in the Funds	(1,096,602.94)
Accrued Interest Payable is not reported in the Funds	(18,645.00)
Net Assets of Governmental Activities	$ 3,026,988.18

The notes are an integral part of the statements.

Village of Otter Lake

Statement of Revenues, Expenditures
And Changes in Fund Balances
Governmental Funds
For The Year Ended February 28, 2005

				Debt Service Funds			
	General Fund	Major Streets Fund	Local Streets Fund	Special Assessment Obligation Bond Fund	Debt Retirement Obligation Bond Fund	Capital Project Fund	Totals Governmental Funds
Revenues							
Property Taxes	$ 84,762.73	$ -	$ -	$ -	$ -	$ -	$ 84,762.73
Special Assessments	-	-	-	125,700.00	10,475.00	-	136,175.00
Intergovernmental Revenue	47,294.00	34,283.71	14,167.34	-	-	-	95,745.05
Charges for Services	14,226.23	-	-	-	-	-	14,226.23
Interest Earnings	522.08	36.26	17.74	224.53	15.99	343.15	1,159.75
Miscellaneous Revenues							
Park & Recreation	50,441.04	-	-	-	-	-	50,441.04
Equipment Rental	-	-	-	-	-	-	-
Grant & Bond Proceeds	3,681.15	-	-	-	-	916,593.94	920,275.09
Loan Proceeds	60,175.00	-	-	-	-	-	60,175.00
Miscellaneous	24,713.31	-	-	-	-	-	24,713.31
Total Miscellaneous Revenues	139,010.50	-	-	-	-	916,593.94	1,055,604.44
Total Revenues	285,815.54	34,319.97	14,185.08	125,924.53	10,490.99	916,937.09	1,387,673.20
Expenditures							
General Government	91,886.61	-	-	-	-	-	91,886.61
Public Safety	32,128.80	-	-	-	-	-	32,128.80
Public Works	67,906.72	15,764.39	17,170.22	-	-	-	100,841.33
Highways, Streets, & Bridges	1,605.82	-	-	-	-	-	1,605.82
Recreation & Culture	31,437.30	-	-	-	-	-	31,437.30
Capital Outlay / Construction in Process	66,175.00	-	-	-	-	714,157.27	780,332.27
Debt Service :							-
Principal	21,266.00	-	-	-	-	200,000.00	221,266.00
Interest	5,624.72	-	-	-	-	1,998.57	7,623.29
Total Expenditures	318,030.97	15,764.39	17,170.22	-	-	916,155.84	1,267,121.42
Excess of Revenues Over (Under) Expenditures	(32,215.43)	18,555.58	(2,985.14)	125,924.53	10,490.99	781.25	120,551.78
Operating Transfers In (Out)	(3,628.06)	1,132.88	2,495.18	-	-	-	-
Net Changes in Fund Balances	(35,843.49)	19,688.46	(489.96)	125,924.53	10,490.99	781.25	120,551.78
Fund Balances - Beginning of Year	98,639.93	8,084.28	6,383.29	-	-	-	113,107.50
Fund Balances - End of Year	$ 62,796.44	$ 27,772.74	$ 5,893.33	$ 125,924.53	$ 10,490.99	$ 781.25	$ 233,659.28

The notes are an integral part of the statements.

Village of Otter Lake

Governmental Funds
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended February 28, 2005

Net Change in Fund Balances - Total Governmental Funds	$ 120,551.78
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental Funds report Capital Outlays as Expenditures; in the Statement of Activities, these costs are capitalized and allocated over their estimated useful lives as Depreciation	982,330.84
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectibble within 60 days of year end	2,414,475.00
Repayment of Bond Principal is an Expenditure in the Governmental Funds, but not in the Statement of Activities (where it reduces Long-Term Debt)	21,266.00
Bond proceeds and loan proceeds are not reported as financing sources on the statement of activities	(976,768.94)
Interest Expense is reported in the Statement of Activities when a Liability is incurred; they are reported in the Governmental Funds only when payment is due	(3,212.00)
Depreciation is an Expenditures for the Statement of Activities, but is not reported in the Governmental Funds	(19,275.00)
Net Assets of Governmental Activities	$ 2,539,367.68

The notes are an integral part of the statements.

The accounting methods and procedures adopted by the Village of Otter Lake, Lapeer & Genesee Counties, Michigan, conform to Generally Accepted Accounting Principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Village's Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Village was incorporated under the laws of the State of Michigan in 1883 and operates under a council form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Village (the primary government) and its component units. The component units discussed below are included in the Village reporting entity because of the significance of their operational or financial relationships with the Village.

Component Units - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Village (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. 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 (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

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

The Village reports the following major governmental funds:

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

Major Streets Fund – The Major Streets Fund accounts for maintenance and improvement activities for streets designated as "major" within the Village. Funding is provided primarily through State-shared gas and weight taxes.

Local Streets Fund – The Local Streets Fund accounts for maintenance and improvement activities for streets designated as "local" within the Village. Funding is provided primarily through State-shared gas and weight taxes.

Special Assessment Obligation Bond Fund (Debt Service Fund) - The fund accounts for the collection of special assessments within the Village limits. The assessments are for the bond repayment.

Debt Retirement Obligation Bond (Debt Service Fund) - The fund accounts for the collection of special assessments outside the Village limits.

Capital Project Fund - The fund accounts for construction of the sewer collection and treatment system.

Measurement Focus and Basis of Accounting

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

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Village. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Cash - The Village does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Village's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the Village to hold such investments until they mature.

Due to and Due from Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Vacation, Sick Leave, & Other Compensated Absences - The Village has an agreement with its employees in the department of public works require the payment of compensation during absence from duty. Each employee (two), has the right to three weeks paid vacation during the fiscal year. If the employees have days leftover at the end of the fiscal year, they are paid for those days and no days are carried over into the next fiscal year.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Inventories and supplies held by the Water Fund and the Sewer Fund, which are immaterial in amount, have not been recognized. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund Financial Statements.

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Village as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of one year. 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.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	40 years
Water & Sewer Distribution Systems	20 to 75 years
Buildings & Building Improvements	20 to 40 years
Machinery & Equipment	3 to 20 years

Long-Term Obligations - In the Government-wide 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 statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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 use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

Accounting Changes

GASB Statement No. 34 – Effective March 1, 2004, the Village implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Village's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Village's overall financial position and results of operations has been included.

- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the Village's activities have been provided.

- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the Village as well as assets previously reported in the General Fixed Assets Account Group. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.

- The fund financial statements focus on major funds rather than fund types.

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Village is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds, Debt Service Funds, Capital Project Funds.

2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.

3. The budgets must be amended when necessary.

4. Debt cannot be entered into unless permitted by law.

5. Expenditures cannot exceed budget appropriations.

6. Expenditures cannot be made unless authorized in the budget.

7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Village actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Village Council as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis, which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the major Special Revenue Funds, Debt Service Funds, and Capital Project Funds are presented in the required supplemental information.

During the year ended February 28, 2005, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund			
Downtown Development Authority	$ -	$ 2,423	$ 2,423
Capital Outlay	-	66,175	66,175
Debt Service - Principal	-	21,266	21,266
Debt Service - Interest	-	5,625	5,625
Major Streets Fund	12,011	15,764	3,753
Local Streets Fund	8,834	17,170	8,336
Capital Project Fund	-	916,156	916,156

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Total Primary Government
Cash & Cash Equivalents	$ 207,802	$ 207,802

The Village's deposits are in accordance with statutory authority. As of February 28, 2005, the balance sheet carrying amount of cash deposits was $207,802. The bank balance as of February 28, 2005, was $207,802, of which $100,000 was covered by FDIC insurance.

All cash deposits and investments of the Village are held by the Village in the Village's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

Investment Type	(1)	(2)	(3)	Carrying Amount	Market Value
Risk Categorized		NONE			
Operating Funds					
US Treasury Bonds					
Investment in Deferred Compensation Plans					
Total Risk-Categorized Investments					

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1	Insured or registered, or securities held by the Village or its agent in the Village's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Village's name.

4. Property Taxes

The Village is responsible for collecting and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of July of the levy year and may be paid by the following October 1.

Property taxes are recognized in compliance with NCGAI-3, which states that such revenue is recorded when it becomes measurable and available.

The Village levied the following taxes:

General Governmental Services	11.8638	mills
Streets	1.5000	mills
Total	13.3638	

Special Assessments:

Sanitation - Parcel with House	$98.88
Fire Authority - Genesee County	
Vacant Parcel	$30.00
Parcel with Building	$60.00

5. Deficit Fund Balance of Individual Funds

None

6. Capital Assets

Capital Assets activity of the Village's governmental activities (and business-type) was as follows:

	Balance March 1, 2004	Additions	Disposals & Adjustments	Balance February 28, 2005
Governmental Activities:				
Capital Assets not being Depreciated - Land	$ 57,700	$ 0	$ 0	$ 57,700
Capital Assets Being Depreciated:				
Construction in Process	931,589	0	0	931,589
Infrastructure	350,000	0	0	350,000
Buildings & Building Improvements	90,651	0	0	90,651
Machinery & Equipment	66,311	66,175	0	132,486
Total Capital Assets being Depreciated	1,438,551	66,175	0	1,504,726
Accumulated Depreciation:				
Construction in Process	0	0	0	0
Infrastructure	21,875	8,750	0	30,625
Buildings & Building Improvements	54,038	2,755	0	56,793
Machinery & Equipment	30,836	7,770	0	38,606
Total Accumulated Depreciation	106,749	19,275	0	126,024
Net Capital Assets	$ 1,331,802	$ 46,900	$ 0	$ 1,378,702

6. Capital Assets - Continued

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

Governmental Activities:	
General Government	$ 1,473
Public Works	17,154
Recreation & Culture	648
Total Governmental Activities	$ 19,275

7. Interfund Receivables, Payables, & Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	Due From Other Funds		Due To Other Funds
General Fund	$ 100	Capital Project Fund	$ 100
Total	$ 100		$ 100

Interfund Transfers reported in the Fund Statements are as follows:

	Transferred From		Transferred To
General Fund	$ 1,133	Major Streets Fund	$ 1,133
General Fund	2,495	Local Streets Fund	2,495
Total	$ 3,628		$ 3,628

8. Long-Term Debt

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
General Obligation Bonds & Contracts						
Otter Lake Sewage Disposal System - Series 2002 Amount of Issue - $200,000 Maturing through August 1, 2004	2.47%	$200,000	$ 200,000	$ (200,000)	$ 0	$ 0
General Obligation Limited Tax Wastewater System Bonds, Series B Amount of Issue - $425,000 Maturing through 2044	4.63%	$1,000 - $15,000	$ 0	$ 425,000	$ 425,000	$ 1,000
Wastewater System Special Assessment Bonds, Series A Amount of Issue - $2,115,000 Maturing through 2044	4.50%	$4,000 - $55,000	$ 0	$ 2,115,000	$ 2,115,000	$ 4,000
MDOT State Infrastructure Bank Program Amount of Issue - $140,000 Maturing through 2013	4.00%	$16,244	$ 130,844	$ (11,010)	$ 119,834	$ 11,451
Bank One - 1997 Ford F350 Pickup Dated September 30, 2000, payment due annually Maturing through 2004	5.51%	$3,838	$ 3,837	$ (3,837)	$ 0	$ 0
Midwest Bankers Group, Inc. - John Deere Backhoe Dated August 6, 1997, payment due annually Maturing through 2004	7.56%	$6,419	$ 6,419	$ (6,419)	$ 0	$ 0
Chase Equipment Leasing, Inc - GMC Dump Truck Amount of Issue - $60,175 Maturing through 2012	4.15%	$10,081	$ 0	$ 60,175	$ 60,175	$ 7,584
Total Governmental Activities			$ 341,100	$ 2,378,909	$ 2,720,009	$ 24,035

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

Years Ending February 28,	Governmental Activities		
	Principal	Interest	Total
2006	$ 24,035	$ 105,650	$ 129,685
2007	84,808	114,605	199,413
2008	85,612	117,382	202,994
2009	86,448	113,609	200,057
2010	87,320	109,800	197,120
2011-2015	401,787	491,911	893,698
2016-2020	325,000	411,469	736,469
2021-2025	325,000	338,031	663,031
2026-2030	325,000	264,594	589,594
2031-2035	325,000	191,156	516,156
2036-2040	325,000	117,713	442,713
2041-2044	260,000	41,213	301,213
Total	$ 2,655,010	$ 2,417,133	$ 5,072,143

9. Restricted Donated Property

In December of 2001, individuals donated land to the Village with the restriction that it always be used for both municipal park and municipal utility purposes. If for any reason it is not used for those purposes, the land reverts back to the donors and/or their heirs. The value placed on the land at the time of donation was $57,700.

10. Retirement Plan

The Village has a defined contribution pension plan through Municipal Employee's Retirement Systems (MERS), a state administered multi-employer agent pension plan, established by Act 427, Public Acts of 1984. The Village's contribution for the year ended February 28, 2005, was $2,328.62.

11. Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Village has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

Required Supplemental Information

Village of Otter Lake

Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended February 28, 2005

Revenues	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Property Taxes	$ 63,915.00	$ 90,312.00	$ 84,762.73	$ (5,549.27)
State Shared Revenue	49,500.00	47,107.00	47,294.00	187.00
Charges for Services	18,304.00	15,016.00	14,226.23	(789.77)
Interest Earnings	75.00	521.00	522.08	1.08
Miscellaneous Revenues				
Park & Recreation	45,600.00	50,441.00	50,441.04	0.04
Grant Proceeds	5,775.00	3,681.00	3,681.15	0.15
Loan Proceeds	-	-	60,175.00	60,175.00
Miscellaneous	5,100.00	41,623.00	24,713.31	(16,909.69)
Total Miscellaneous Revenues	56,475.00	95,745.00	139,010.50	43,265.50
Total Revenues	188,269.00	248,701.00	285,815.54	37,114.54

Village of Otter Lake

Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended February 28, 2005

Expenditures	Original Budget	Amended Budget	Actual	Variance with Amended Budget
General Government				
Legislative	$ -	$ -	$ 10,365.00	$ -
Clerk	-	-	16,888.45	-
Treasurer	-	-	12,720.00	-
Payroll Taxes	-	-	6,880.40	-
Village Hall & Grounds	-	-	25,427.33	-
Elections	-	-	1,545.72	-
Professional Fees	-	-	5,393.75	-
Chamber of Commerce	-	-	2,841.57	-
Cemetery	-	-	81.11	-
Insurance	-	-	9,743.28	-
Total General Government	105,875.00	137,168.00	91,886.61	45,281.39
Public Safety				
Fire Protection	-	-	1,591.50	-
Police	-	-	4,455.91	-
Street Lights	-	-	7,617.39	-
Sanitation	-	-	18,464.00	-
Total Public Safety	32,854.00	33,118.00	32,128.80	989.20
Public Works	67,775.00	75,211.00	65,483.25	9,727.75
Highways, Streets, & Bridges	6,357.00	3,990.00	1,605.82	2,384.18
Recreation & Culture	33,000.00	33,250.00	31,437.30	1,812.70
Downtown Development Authority	-	-	2,423.47	(2,423.47)
Capital Outlay	-	-	66,175.00	(66,175.00)
Debt Service - Principal	-	-	21,266.00	(21,266.00)
Debt Service - Interest	-	-	5,624.72	(5,624.72)
Total Expenditures	245,861.00	282,737.00	318,030.97	(34,683.20)
Excess of Revenues Over (Under) Expenditures	(57,592.00)	(34,036.00)	(32,215.43)	71,797.74
Operating Transfers In (Out)	-	-	(3,628.06)	(3,628.06)
Excess of Revenues & Operating Transfers In Over Expenditures & Operating Transfers Out	(57,592.00)	(34,036.00)	(35,843.49)	(1,807.49)
Fund Balance - Beginning of Year	-	-	98,639.93	98,639.93
Fund Balance - End of Year	$ (57,592.00)	$ (34,036.00)	$ 62,796.44	$ 96,832.44

Village of Otter Lake

Required Supplemental Information
Budgetary Comparison Schedule
Major Streets Fund
For The Year Ended February 28, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Intergovernmental Revenue	$ 29,500.00	$ 33,676.00	$ 34,283.71	$ 607.71
Interest Income	-	-	36.26	36.26
Total Revenues	29,500.00	33,676.00	34,319.97	643.97
Expenditures				
Salaries, Wages & Fringes	-	-	5,154.11	-
Supplies	-	-	6,421.64	-
Winter Maintenance - Salt	-	-	4,188.64	-
Total Expenditures	20,972.00	12,011.00	15,764.39	(3,753.39)
Excess of Revenues Over (Under) Expenditures	8,528.00	21,665.00	18,555.58	(3,109.42)
Other Financing Sources (Uses)				
Transfers In (Out)	-	-	1,132.88	1,132.88
Net Change in Fund Balance	8,528.00	21,665.00	19,688.46	(1,976.54)
Fund Balance - Beginning of Year	-	-	8,084.28	8,084.28
Fund Balance - End of Year	$ 8,528.00	$ 21,665.00	$ 27,772.74	$ 6,107.74

Village of Otter Lake

Required Supplemental Information
Budgetary Comparison Schedule
Local Streets Fund
For The Year Ended February 28, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Intergovernmental Revenue	$ 11,500.00	$ 13,761.00	$ 14,167.34	$ 406.34
Interest Income	-	-	17.74	17.74
Total Revenues	11,500.00	13,761.00	14,185.08	424.08
Expenditures				
Salaries, Wages & Fringes	-	-	5,415.02	-
Supplies	-	-	9,289.20	-
Equipment Rental	-	-	-	-
Winter Maintenance - Salt	-	-	2,466.00	-
Total Expenditures	10,486.00	8,834.00	17,170.22	(8,336.22)
Excess of Revenues Over (Under) Expenditures	1,014.00	4,927.00	(2,985.14)	(7,912.14)
Other Financing Sources (Uses)				
Transfers In (Out)	-	-	2,495.18	2,495.18
Net Change in Fund Balance	1,014.00	4,927.00	(489.96)	(5,416.96)
Fund Balance - Beginning of Year	-	-	6,383.29	6,383.29
Fund Balance - End of Year	$ 1,014.00	$ 4,927.00	$ 5,893.33	$ 966.33

Village of Otter Lake

Required Supplemental Information
Budgetary Comparison Schedule
Debt Service Fund - Special Assessment Obligation Bond Fund
For The Year Ended February 28, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Special Assessment	$ -	$ -	$ 125,700.00	$ 125,700.00
Interest Income	-	-	224.53	224.53
Total Revenues	-	-	125,924.53	125,924.53
Expenditures				
Debt Service - Principal	-	-	-	-
Debt Service - Interest	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	125,924.53	125,924.53
Other Financing Sources (Uses)				
Transfers In (Out)	-	-	-	-
Net Change in Fund Balance	-	-	125,924.53	125,924.53
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ 125,924.53	$ 125,924.53

Village of Otter Lake

Required Supplemental Information
Budgetary Comparison Schedule
Debt Service Fund - Debt Retirement Obligation Bond Fund
For The Year Ended February 28, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Special Assessment	$ -	$ -	$ 10,475.00	$ 10,475.00
Interest Income	-	-	15.99	15.99
Total Revenues	-	-	10,490.99	10,490.99
Expenditures				
Debt Service - Principal	-	-	-	-
Debt Service - Interest	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	10,490.99	10,490.99
Other Financing Sources (Uses)				
Transfers In (Out)	-	-	-	-
Net Change in Fund Balance	-	-	10,490.99	10,490.99
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ 10,490.99	$ 10,490.99

Village of Otter Lake

Required Supplemental Information
Budgetary Comparison Schedule
Capital Project Fund
For The Year Ended February 28, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Bond Proceeds	$ -	$ -	$ 916,593.94	$ 916,593.94
Interest Income	-	-	343.15	343.15
Total Revenues	-	-	916,937.09	916,937.09
Expenditures				
Construction in Process / Capital Outlay				
Attorney	-	-	22,456.56	(22,456.56)
Operating Supplies	-	-	130.15	(130.15)
Other	-	-	53,141.31	(53,141.31)
Collection System	-	-	369,993.85	(369,993.85)
Construction	-	-	23,515.48	(23,515.48)
Wastewater Treatment Plant	-	-	56,070.00	(56,070.00)
Engineering	-	-	137,714.22	(137,714.22)
Other	-	-	8,019.26	(8,019.26)
Capital Outlay	-	-	43,116.44	(43,116.44)
Debt Service - Principal	-	-	200,000.00	(200,000.00)
Debt Service - Interest	-	-	1,998.57	(1,998.57)
Total Expenditures	-	-	916,155.84	(916,155.84)
Excess of Revenues Over (Under) Expenditures	-	-	781.25	781.25
Other Financing Sources (Uses)				
Transfers In (Out)	-	-	-	-
Net Change in Fund Balance	-	-	781.25	781.25
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ 781.25	$ 781.25

Other Supplemental Information

Village of Otter Lake

Other Supplemental Information
Schedule of Indebtedness
February 28, 2005

County of Lapeer, State of Michigan
General Obligation Limited Tax
Wastewater System Bonds, Series B

Dated December 22, 2004
Original Issue $425,000

Year	Interest Rate	Series B Principal Due 12/01 1-Dec	Interest Due 1-Jun	Interest Due 1-Dec	Total Principal & Interest Requirements
2005	4.625%	$ 1,000	$ 6,835.84	$ 9,828.13	$ 17,663.97
2006	4.625%	9,000	9,805.00	9,805.00	28,610.00
2007	4.625%	10,000	9,596.88	9,596.88	29,193.76
2008	4.625%	10,000	9,365.63	9,365.63	28,731.26
2009	4.625%	10,000	9,134.38	9,134.38	28,268.76
2010	4.625%	10,000	8,903.13	8,903.13	27,806.26
2011	4.625%	10,000	8,671.88	8,671.88	27,343.76
2012	4.625%	10,000	8,440.63	8,440.63	26,881.26
2013	4.625%	10,000	8,209.38	8,209.38	26,418.76
2014	4.625%	10,000	7,978.13	7,978.13	25,956.26
2015	4.625%	10,000	7,746.88	7,746.88	25,493.76
2016	4.625%	10,000	7,515.63	7,515.63	25,031.26
2017	4.625%	10,000	7,284.38	7,284.38	24,568.76
2018	4.625%	10,000	7,053.13	7,053.13	24,106.26
2019	4.625%	10,000	6,821.88	6,821.88	23,643.76
2020	4.625%	10,000	6,590.63	6,590.63	23,181.26
2021	4.625%	10,000	6,359.38	6,359.38	22,718.76
2022	4.625%	10,000	6,128.13	6,128.13	22,256.26
2023	4.625%	10,000	5,896.88	5,896.88	21,793.76
2024	4.625%	10,000	5,665.63	5,665.63	21,331.26
2025	4.625%	10,000	5,434.38	5,434.38	20,868.76
2026	4.625%	10,000	5,203.13	5,203.13	20,406.26
2027	4.625%	10,000	4,971.88	4,971.88	19,943.76
2028	4.625%	10,000	4,740.63	4,740.63	19,481.26
2029	4.625%	10,000	4,509.38	4,509.38	19,018.76
2030	4.625%	10,000	4,278.13	4,278.13	18,556.26
2031	4.625%	10,000	4,046.88	4,046.88	18,093.76
2032	4.625%	10,000	3,815.63	3,815.63	17,631.26
2033	4.625%	10,000	3,584.38	3,584.38	17,168.76
2034	4.625%	10,000	3,353.13	3,353.13	16,706.26
2035	4.625%	10,000	3,121.88	3,121.88	16,243.76
2036	4.625%	10,000	2,890.63	2,890.63	15,781.26
2037	4.625%	10,000	2,659.38	2,659.38	15,318.76
2038	4.625%	15,000	2,428.13	2,428.13	19,856.26
2039	4.625%	15,000	2,081.25	2,081.25	19,162.50
2040	4.625%	15,000	1,734.38	1,734.38	18,468.76
2041	4.625%	15,000	1,387.50	1,387.50	17,775.00
2042	4.625%	15,000	1,040.63	1,040.63	17,081.26
2043	4.625%	15,000	693.75	693.75	16,387.50
2044	4.625%	15,000	346.70	346.70	15,693.40
Total System Bonds, Series B		$ 425,000	$ 216,325.21	$ 219,317.50	$ 860,642.71

Village of Otter Lake

Other Supplemental Information
Schedule of Indebtedness
February 28, 2005

County of Lapeer, State of Michigan
Wastwater System Special
Assessment Bonds, Series A

Dated December 22, 2004
Original Issue $2,115,000

Year	Interest Rate	Series B Principal Due 12/01 1-Dec	Interest Due 1-Jun	Interest Due 1-Dec	Total Principal & Interest Requirements
2005	4.500%	$ 4,000	$ 34,018.33	$ 47,677.50	$ 85,695.83
2006	4.500%	56,000	47,497.50	47,497.50	150,995.00
2007	4.500%	55,000	46,237.50	46,237.50	147,475.00
2008	4.500%	55,000	45,000.00	45,000.00	145,000.00
2009	4.500%	55,000	43,762.50	43,762.50	142,525.00
2010	4.500%	55,000	42,525.00	42,525.00	140,050.00
2011	4.500%	55,000	41,287.50	41,287.50	137,575.00
2012	4.500%	55,000	40,050.00	40,050.00	135,100.00
2013	4.500%	55,000	38,812.50	38,812.50	132,625.00
2014	4.500%	55,000	37,575.00	37,575.00	130,150.00
2015	4.500%	55,000	36,337.50	36,337.50	127,675.00
2016	4.500%	55,000	35,100.00	35,100.00	125,200.00
2017	4.500%	55,000	33,862.50	33,862.50	122,725.00
2018	4.500%	55,000	32,625.00	32,625.00	120,250.00
2019	4.500%	55,000	31,387.50	31,387.50	117,775.00
2020	4.500%	55,000	30,150.00	30,150.00	115,300.00
2021	4.500%	55,000	28,912.50	28,912.50	112,825.00
2022	4.500%	55,000	27,675.00	27,675.00	110,350.00
2023	4.500%	55,000	26,437.50	26,437.50	107,875.00
2024	4.500%	55,000	25,200.00	25,200.00	105,400.00
2025	4.500%	55,000	23,962.50	23,962.50	102,925.00
2026	4.500%	55,000	22,725.00	22,725.00	100,450.00
2027	4.500%	55,000	21,487.50	21,487.50	97,975.00
2028	4.500%	55,000	20,250.00	20,250.00	95,500.00
2029	4.500%	55,000	19,012.50	19,012.50	93,025.00
2030	4.500%	55,000	17,775.00	17,775.00	90,550.00
2031	4.500%	55,000	16,537.50	16,537.50	88,075.00
2032	4.500%	55,000	15,300.00	15,300.00	85,600.00
2033	4.500%	55,000	14,062.50	14,062.50	83,125.00
2034	4.500%	55,000	12,825.00	12,825.00	80,650.00
2035	4.500%	55,000	11,587.50	11,587.50	78,175.00
2036	4.500%	55,000	10,350.00	10,350.00	75,700.00
2037	4.500%	55,000	9,112.50	9,112.50	73,225.00
2038	4.500%	50,000	7,875.00	7,875.00	65,750.00
2039	4.500%	50,000	6,750.00	6,750.00	63,500.00
2040	4.500%	50,000	5,625.00	5,625.00	61,250.00
2041	4.500%	50,000	4,500.00	4,500.00	59,000.00
2042	4.500%	50,000	3,375.00	3,375.00	56,750.00
2043	4.500%	50,000	2,250.00	2,250.00	54,500.00
2044	4.500%	50,000	1,125.00	1,125.00	52,250.00
Total System Bonds, Series A		$ 2,115,000	$ 970,940.83	$ 984,600.00	$ 4,070,540.83

Village of Otter Lake

Other Supplemental Information
Schedule of Indebtedness
February 28, 2005

MDOT State Infrastructure Bank Program

Dated July 1, 1999
Original Issue $140,000

Interest Rate	Date of Maturity	Principal Outstanding February 28, 2005	Principal Outstanding February 28, 2004	Annual Interest Payable
4.00%	9/1/2004	$ 0	$ 11,010	$ 0
4.00%	9/1/2005	11,451	11,451	4,793
4.00%	9/1/2006	11,909	11,909	4,335
4.00%	9/1/2007	12,385	12,385	3,859
4.00%	9/1/2008	12,880	12,880	3,364
4.00%	9/1/2009	13,396	13,396	2,848
4.00%	9/1/2010	13,931	13,931	2,313
4.00%	9/1/2011	14,489	14,489	1,755
4.00%	9/1/2012	15,068	15,068	1,176
4.00%	9/1/2013	14,325	14,325	572
Total General Obligation Bonds		$ 119,834	$ 130,844	$ 25,015

Installment Purchase Contract Payable
- GMC Dump Truck

Dated January 7, 2005
Original Issue $60,175

Interest Rate	Contract Due For The Year Ending	Principal Outstanding February 28, 2005	Principal Outstanding February 28, 2004	Annual Interest Payable
4.15%	1/7/2005	$ 0	$ 0	$ 0
4.15%	1/7/2006	7,584	7,584	2,497
4.15%	1/7/2007	7,899	7,899	2,183
4.15%	1/7/2008	8,227	8,227	1,855
4.15%	1/7/2009	8,568	8,568	1,513
4.15%	1/7/2010	8,923	8,923	1,158
4.15%	1/7/2011	9,293	9,293	787
4.15%	1/7/2012	9,680	9,680	402
Total Installment Purchase Contract Payable		$ 60,174	$ 60,174	$ 10,395
Total General Obligation Bonds & Contracts		$ 2,720,008	$ 191,018	$ 2,426,594

LEHN L. KING
CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET
MARLETTE, MICHIGAN 48453

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RECEIVED
DEPT. OF TREASURY
AUG 19 2005
LOCAL AUDIT & FINANCE DIV.

May 4, 2005

To the Village Council
Village of Otter Lake
Lapeer County, Michigan

In accordance with your request, I have made an examination of the financial statements of the Village of Otter Lake for the fiscal year ended February 28, 2005. During the course of my examination the following items came to my attention:

1. All paid bills must be approved for payment in the Minutes. Thus, a person should be able to trace paid bills to the Minutes. To do this, the bills should be listed in the Minutes or identified in such a manner as, "Paid bills in the amount of $(Amount) from Check #_____ to Check #_____."

2. Per P.A. 621 of 1968, the board does not have authorization to spend monies that exceed the budget. The budget must be amended prior to it being exceeded. Amendments to the budget must be detailed as to the increase and decrease amount of each line item being changed. Also, a budget needs to be adopted for the Capital Project Fund, Special Assessment Obligation Bond Fund, and the Debt Retirement Obligation Bond Fund. Each of the Village's funds should have its own, separate adopted budget.

3. The Internal Revenue Service requires 1099's to be distributed to all recipients of $600.00 or more for services rendered to the Township. It came to our attention that the Park Manager had not been issued a 1099. In order to comply with the IRS Code, the Township should issue the Park Manager a 1099 along with any other person that received $600.00 or more for personal services.

4. Labor and equipment hours for Major and Local Streets need to be kept on a timelier basis. These hours are to be used to compute the expenses charged to the Major and Local Streets. It is the Village's responsibility to keep accurate records to verify the amount charged for expenses in the Major and Local Streets.

5. You will be required to establish and maintain a Repair, Replacement, and Improvement Fund for the Sewer System. The annual requirement is determined to be $5,000. This amount must be deposited each year for the life of the loan. This must be deposited in a separate bank account. The first deposit must be made prior to January 2006.

From an overall viewpoint, the Village of Otter Lake is in good financial condition. The financial records maintained by the clerk and treasurer are in good order.

I thank the Village for the cooperation I received in the completion of this examination. Should you have any questions in connection with the above comments, please contact me at your convenience.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant

Village of Otter Lake, Michigan

Lapeer & Genesee Counties, Michigan

Federal Awards
Supplemental Information
February 28, 2005

Lehn L. King
Certified Public Accountant
Marlette, Michigan

Village of Otter Lake

Federal Awards
Supplemental Information
Year Ended February 28, 2005

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LEHN L. KING
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Members of the Village Council
Village of Otter Lake
Lapeer County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, and each major fund, of the Village of Otter Lake, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the of the Village of Otter Lake, Michigan's management. My responsibility is to express opinions on these financial statements based on our audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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. And audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the Village of Otter Lake, Michigan as of February 28, 2005, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 4, 2005, on my consideration of the Village of Otter Lake, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Otter Lake, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of Sates, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Village of Otter Lake, Michigan. The schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lehn King
Certified Public Accountant

May 4, 2005

LEHN L. KING
Certified Public Accountant

3531 MAIN STREET
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Members of the Village Council
Village of Otter Lake
Lapeer County, Michigan

Report on Internal Control over Financial Reporting and on Compliance And Other Matters based on an Audit of Financial Statements Performed In Accordance with *Governement Auditing Standards*

I have audited the accompanying financial statements of the governmental activities, and each major fund information, of the Village of Otter Lake, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village of Otter Lake, Michigan's basic financial statements and have issued my report thereon dated May 4, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village of Otter Lake, Michigan's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters.

As part of obtaining reasonable assurance about whether the Village of Otter Lake, Michigan's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such and opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of the management, Village Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other that these specified parties.

Lehn King
Certified Public Accountant

May 4, 2005

LEHN L. KING
Certified Public Accountant

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Members of the Village Council
Village of Otter Lake
Lapeer County, Michigan

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance In Accordance with OMB Circular A-133

I have audited the compliance of the Village of Otter Lake, Michigan, with the types of compliance requirements described in the U.S. Office Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended February 28, 2005. The Village of Otter Lake, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Village of Otter Lake, Michigan's management. My responsibility is to express an opinion on the Village of Otter Lake, Michigan's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Otter Lake, Michigan's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Village of Otter Lake, Michigan's compliance with those requirements.

In my opinion, the Village of Otter Lake, Michigan, complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended February 28, 2005.

Internal Control Over Compliance

The management of the Village of Otter Lake, Michigan, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I consider the Village of Otter Lake, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would be not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matter involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the management, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should be not used by anyone other that these specified parties.

Lehn King

Certified Public Accountant

May 4, 2005

Village of Otter Lake

Schedule of Expenditures of Federal Awards

Year Ended February 28, 2005

Federal Agency / Pass-through Agency / Program Title	CFDA Number	Pass-through Entity Project / Grant No.	Award Amount	Federal Expenditures
U.S. Department of Agriculture				
Water or Waste System Grant Agreement	10.760	N/A	$ 4,270,000	$ 916,594
Total Federal Awards				$ 916,594

See Notes to Schedule of Expenditures of Federal Awards.

Village of Otter Lake

Reconciliation of Basic Financial Statements
Federal Revenue with Schedule of Expenditures of Federal Awards
Year Ended February 28, 2005

Revenue from Federal Sources - As Reported on Financial Statements	$ 920,275.00
Less Community Development Block Grant	(3,681.00)
Federal Expenditures per the Schedule of Expenditures of Federal Awards	$ 916,594.00

Village of Otter Lake

Notes to Schedule of Expenditures of Federal Awards
Year Ended February 28, 2005

Note 1 – Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Village of Otter Lake, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Village of Otter Lake

Schedule of Findings and Questioned Costs
Year Ended February 28, 2005

Section 1 - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: **Unqualified**

Internal Control over Financial Reporting:

- Material weakness(es) identified?	____	Yes	X	No
- Reportable condition(s) identified that are not considered to be material weaknesses?	____	Yes	X	None reported
Noncompliance material to Financial Statements noted?	____	Yes	X	No

Federal Awards

Internal control over Major Program(s):

- Material weakness(es) identified?	____	Yes	X	No
- Reportable condition(s) identified that are not considered to be material weaknesses?	____	Yes	X	None reported

Type of auditor report issued on compliance for Major Program(s): **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	____	Yes	X	No

Identification of Major Program(s):

CFDA No.	Name of Federal Program or Cluster
10.760	Water or Waste System Grant

Dollar threshold used to distinguish between Type A and Type B Programs: **$300,000**

Auditee qualified as low-risk auditee?	____	Yes	X	No

Section 2 - Financial Statement Audit Findings

None

Section 3 - Federal Program Audit Findings

None