WHITE PIGEON SANITARY SYSTEM
WHITE PIGEON, MICHIGAN

FINANCIAL STATEMENTS

DECEMBER 31, 2005

Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

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

Local Unit of Government Type	Local Unit Name	County
☐County ☐City ☐Twp ☐Village ☒Other	White Pigeon Sanitary System	St. Joseph

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
12/31/05	1/25/06	5/31/06

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☐	None required
Other (Describe)	☐	

Certified Public Accountant (Firm Name)	Telephone Number		
Norman & Paulsen, P.C.	269-273-8641		
Street Address	**City**	**State**	**Zip**
123 N Main Street	Three Rivers	MI	49093

Authorizing CPA Signature	Printed Name	License Number
[signature] C.P.A.	Rick Strawser CPA	1101016951

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Norman & Paulsen, P.C.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of the
White Pigeon Sanitary System,
White Pigeon, Michigan

We have audited the accompanying financial statements of the business-type activities of the White Pigeon Sanitary System, White Pigeon, Michigan as of and for the year ended December 31, 2005, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the System'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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the White Pigeon Sanitary System, White Pigeon, Michigan as of December 31, 2005, and the respective changes in financial position and cash flows, 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 beginning on page iii through vii is not a required part of the basic financial statements but is 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 it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the White Pigeon Sanitary System's basic financial statements. The schedules of revenues, expenses and reserves for the Collection System and Debt Service, schedule of allocated indebtedness is presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. .

Norman & Paulsen PC

Norman & Paulsen, P.C.

January 25, 2006
Three Rivers, Michigan

White Pigeon Sanitary System
Management's Discussion and Analysis
For the Year Ended December 31, 2005

As management of the White Pigeon Sanitary System, we offer readers of the System's financial statements this narrative overview and analysis of the financial activities of the System for the fiscal year ended December 31, 2005. The System implemented *Governmental Accounting Standards Board Statement 34: Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* for the first time this year.

Financial Highlights

- The assets of the System exceeded its liabilities at December 31, 2005 by $6,901,579. Of this amount unrestricted net assets of $1,635,579 may be used to meet the government's ongoing obligations to citizens and creditors.

- Total net assets decreased by $121,127.

- The System's total debt obligation is $1,065,000. This is a decrease of $105,000 from the prior year.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the White Pigeon Sanitary System's basic financial statements. The System's basic financial statements are comprised of 1) government-wide financial statements, 2) proprietary fund financial statements, 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

(1) Government-Wide Financial Statements

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

The statement of net assets presents information on all the System'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 System 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.

(2) 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 System, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The System's maintains one fund categorized as a proprietary fund.

(2a) Proprietary Funds

The System maintains one type of proprietary fund: an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The System maintains one individual enterprise fund. Information is presented separately in the proprietary statements of net assets and proprietary statement of revenues, expenses and changes in fund net assets for the Sewer Operation and Maintenance Fund, which is considered to be a major fund.

(3) Notes to 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. They are found on pages 8 – 15.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information on pages 16 - 33. This section includes budgetary comparisons for the proprietary fund.

Governmental-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At December 31, 2005, the System's assets exceeded liabilities by $6,901,579. By far the largest portion of the System's net assets (73%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets are reported net of related debt, it should be noted that the resources needed to repay the remaining debt of capital assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

With the first year implementation of GASB Statement 34, the System is not presenting comparable columns in the various comparisons or analyses for the prior year.

WHITE PIGEON SANITARY SYSTEM'S NET ASSETS

	Business-Type Activities 2005
Current and other assets	$1,866,948
Capital assets	6,118,106
Total Assets	$7,985,054
Current liabilities	$ 128,475
Long-term liabilities	955,000
Total Liabilities	$1,083,475
Net Assets:	
Invested in capital assets, net of related debt	$5,053,106
Restricted for debt service	212,908
Unrestricted	1,635,565
Total Net Assets	$6,901,579

The unrestricted balance of net assets $1,635,565 may be used to meet the System's ongoing obligations to customers and creditors.

Analysis of the System's Operations

The following table provides a summary of the System's operations for the year ended December 31, 2005.

SYSTEM'S CHANGES IN NET ASSETS

	Business-Type Activities 2005
Revenues:	
Program revenues:	
Charges for services	$ 527,904
General revenues:	
Unrestricted investment earnings	52,538
Total revenues	580,442
Expenses:	
Public works	704,548
Increase/(Decrease) in net assets	(121,127)
Net assets - December 31, 2003	7,022,706
Net assets – December 31, 2004	$6,901,579

Business-type Activities

Business-type activities decreased the System's net assets by $121,427 accounting for a 1.7% decline in the government's net assets. This decrease was primarily due to depreciation charges to expenditures by the Treatment Plant.

Financial Analysis of the Government's Funds

As noted earlier, the System uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Proprietary Funds

The System's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted nets assets of the Sewer Operation and Maintenance fund declined by $121,427 to $1,635,565 during 2005. Factors concerning the finances of these funds have already been addressed in the discussion of the System's business-type of activities.

Capital Assets

The System's investment in capital assets for the year ended December 31, 2005 amounts to $6,118,106, net of accumulated depreciation. The investment in capital assets includes sewer system improvements and equipment within the Village and Township.

During the current fiscal year the System invested $69,895 in a sewer extension and $29,365 in equipment. Additional information on the System's capital assets can be found in Notes 1 and 6 on pages 10 and 13.

Long-term Debt

At the end of the fiscal year, the System had $1,065,000 in outstanding general obligation bonds, secured by specific revenue sources. These bonds relate to improvements to the sewer plant and collection system improvements.

Economic Factors and Next Year's Budgets and Rates

The White Pigeon Sanitary System Board has shown fiscal responsibility in its planning for budget and spending practices. Monthly reports of bills for the previous month are submitted to the Council for their approval, additionally, a quarterly financial budget report is provided to Council. Budgets for the 2006 year were done on the following assumptions.

- Investment income is substantially reduced from previous budgets because of declining interest rates.

Requests for Information

This financial report is designed to provide a general overview of the White Pigeon Sanitary System's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or for additional financial information should be addressed to the White Pigeon Sanitary System, 16220 Indian Prairie Rd., White Pigeon, Michigan 49099.

WHITE PIGEON SANITARY SYSTEM

STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	Business -Type Activities
ASSETS	
Cash and cash equivalents (Note 3)	$ 266,241
Certificates of deposit	518,000
Investments, U.S. treasury securities	407,000
Accounts receivables, net (Note 5)	74,276
Sewer assessments receivable, net	357,038
Interest receivable	4,763
Prepaid expenses	15,149
Bond loan fees	11,573
Restricted cash and investments(Note 4)	212,908
Capital assets - net	6,118,106
Total Assets	$ 7,985,054
LIABILITIES	
Accounts payable	$ 5,409
Accrued payroll and other liabilities	13,066
Noncurrent liabilities	
Due within one year	110,000
Due in more than one year	955,000
Total Liabilities	$ 1,083,475
NET ASSETS	
Invested in capital assets	
Net of related debt	$ 5,053,106
Restricted for	
Debt service	212,908
Unrestricted	1,635,565
Total Net Assets	$ 6,901,579

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Net (Expense) Revenue and Changes in Net Assets: Business - Type Activities
Business - Type Activities			
Administration	$ 92,846	$ 111,796	$ 18,950
Collection system	69,035	103,040	34,005
Treatment plant	480,948	276,416	(204,532)
Interest on long-term debt	59,000	77,135	18,135
Bond discount	3,019		(3,019)
Total Business - Type Activities	$ 704,848	$ 568,387	(136,461)
General Revenues			
Unrestricted investment earnings			11,497
Gain on disposal of fixed assets			2,979
Miscellaneous revenues			558
Total General Revenues			15,034
Change in Net Assets			(121,427)
Net Assets - Beginning of Year			7,023,006
Net Assets - End of Year			$ 6,901,579

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM

STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2005

	Business - Type Activities Sanitary System
ASSETS	
Current assets	
Cash and cash equivalents	$ 266,241
Certificates of deposit	518,000
Investments, U.S. treasury securities	407,000
Receivables, net	74,276
Sewer assessments receivable, net	38,719
Interest receivable	4,763
Prepaid expense	15,149
Total current assets	1,324,148
Noncurrent assets	
Restricted cash and investments	212,908
Sewer assessments receivable, net	318,319
Bond loan fees	11,573
Capital assets, net	6,118,106
Total noncurrent assets	6,660,906
Total Assets	$ 7,985,054
LIABILITIES	
Current liabilities	
Accounts payable	$ 5,409
Accrued payroll and other liabilities	13,066
Current portion of noncurrent liabilities	110,000
Total current liabilities	128,475
Noncurrent liabilities	
Bonds, notes and loans payable	955,000
Total Liabilities	$ 1,083,475

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM

STATEMENT OF NET ASSETS (CONTINUED)
PROPRIETARY FUND
DECEMBER 31, 2005

	Business - Type Activities
	Sanitary System
NET ASSETS	
Invested in capital assets - Net of related debt	5,053,106
Restricted for Debt service	212,908
Unrestricted	1,635,565
Total Net Assets	$ 6,901,579

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Business - Type Activities Sanitary System
Operating revenues	
Sewer service fees	$ 497,891
Sewer connection fees	23,355
Penalties	5,875
Permits	225
Miscellaneous	558
Total operating revenues	527,904
Operating expenses	
Administration	92,846
Collection system	69,035
Treatment plant	480,948
Total operating expenses	642,829
Operating income (loss)	(114,925)
Nonoperating revenues (expenses)	
Interest revenue	52,538
Interest expense	(59,000)
Sale of fixed assest	2,979
Bond loan program expense	(3,019)
Total nonoperating revenues (expenses)	(6,502)
Change in net assets	(121,427)
Total net assets - beginning of year	7,023,006
Total net assets - end of year	$ 6,901,579

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Business - Type Activities Sanitary System
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 606,036
Payments to suppliers	(158,599)
Payments to employees	(205,112)
Net cash provided (used) by operating activities	242,325
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(99,261)
Proceeds from sale of assets	5,000
Principal paid on bonds	(105,000)
Interest paid on bonds	(59,850)
Net cash provided (used) by capital and related financing activities	(259,111)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of US Treasury Securities	-
Increase in monies held in certificate of deposits	(176,905)
Decrease in restricted cash	(865)
Interest received	48,245
Net cash provided by investing activities	(129,525)
Net increase (decrease) in cash and cash equivalents	(146,311)
Balances - beginning of year	412,552
Balances - end of year	$ 266,241

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Business - Type Activities Sanitary System
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	$ (114,925)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	280,286
(Increase) decrease in assets	
Receivables	
Sewer assessments receivable	3,841
Prepaid expenses	75,812
Interest receivable	(362)
Increase (decrease) in liabilities	(4,293)
Accounts payables	
Accrued payroll and other liablilities	(1,168)
	3,134
Net cash provided by operating activities	$ 242,325

See accompanying notes to financial statements

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the White Pigeon Sanitary System conform to the accounting principles generally accepted in the United States of America as applicable to governmental units. White Pigeon Sanitary System adopted GASB 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB 37, as of January 1, 2004. The following is a summary of the significant accounting policies used by the White Pigeon Sanitary System:

A. Reporting Entity

The White Pigeon Sanitary System operates under an appointed six member Board. Operating under an agreement between the Village of White Pigeon and the Township of White Pigeon, the System provides sewer services to certain residents of the Township and all of the residents of the Village.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. Accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Township. The Village of White Pigeon and the Township of White Pigeon are separate governmental units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported in separate columns in the fund financial statements. The Sanitary System has only one fund, an enterprise fund, to report on.

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 financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is 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. For this purpose, the government considers revenues 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds are those through which most of the governmental functions typically are financed.

a) **General Fund** - 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.

b) **Special Revenue Fund** – The Special Revenue Fund accounts for revenue derived from specific sources that are restricted by legal and regulatory provisions to finance specific activities. There are no special revenue funds to report on.

The System has neither of these funds to report on.

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of operating income, financial position, and change in net assets and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Sanitary System - The Sanitary System Fund accounts for revenues generated from charges for sewer services to the residential and commercial users of the System. The Sanitary System fund also recognizes the portion of fees intended to recover connection costs (e.g., labor and materials to hook up new customers) as operating revenue. Another portion of sewer service fees is intended to recover the cost of debt service.

Fiduciary funds are used to account for assets held in a trustee capacity or as an agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are not included in the government-wide financial statements. The System has no fiduciary funds.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The System has elected to follow private sector standards issued after November 30, 1989 for its business-type activity.

D. Assets, Liabilities, and Net Assets or Equity

Bank deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of certificates of deposit with initial maturity dates of less than one year.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and payables - No allowance for uncollectible accounts has been provided. Management has evaluated the accounts and believes they are all collectible.

Prepaid Items - 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 property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of 5 years. 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.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Land improvements	10 years
Buildings and improvements	10 - 40 years
Sewer projects	25 - 50 years
Machinery & equipment	5 – 10 years
Office equipment	5 – 10 years
Software	3 years
Computer equipment	5 years

GASB 34 requires infrastructure acquired, donated, constructed or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized. The System has no infrastructure.

Compensated Absences (Vacation and Sick Leave) - It is the White Pigeon Sanitary System's policy to not permit employees to accumulate unused vacation or sick days from year to year.

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

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balances 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.

In prior years the System's financial statements included a separately stated component of fund equity, along with "retained earnings" that reflected capital contributions Under the new reporting model, these financial resources flow through the operating statements, and are closed to a single equity account.

Net Assets – In the government-wide financial statements net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available to pay an expenditure, it is the System's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. At the annual meeting held in December the budget for the calendar year commencing January 1 is presented to assembled residents for their comment before it is given final approval. The Board must approve any revisions of the budgets.

The budget documents present information by function, department and line items. The legal level of budgetary control adopted by the governing body is by function.

In the Required Supplemental Information section of the financial statements, the System's actual expenditures and budgeted expenditures is shown for the proprietary funds. The System incurred less expenditure for all proprietary funds than budgeted, except for the Township Collection System. The Village Collection System budgeted for $10,765 of expenditures and actually incurred $10,960 of expenditures.

NOTE 3 DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes local government units to make deposits and invest in the following:

- In certificates of deposit, savings accounts, deposit accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan.
- In bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States.
- In United States government or federal agency obligation repurchase agreements.
- In banker's acceptance of United States banks.
- In commercial paper rated within the two highest classifications that mature not more than 270 days after the date of purchase.
- In obligations of the State of Michigan or its political subdivisions that are rated as investment grade.
- In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

White Pigeon Sanitary System Board has designated ten banks for the deposit of the System's funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bank depository accounts, certificates of deposit, and U.S. Treasury Securities, but not the remainder of State statutory authority as listed above. White Pigeon Sanitary System's deposits and investment policy are in accordance with statutory authority.

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

	Business Type Activities
Cash and cash equivalents	$ 266,241
Cash – restricted	212,908
Certificates of deposit	518,000
U.S. Treasury Securities	407,000
Total	$1,404,149

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

During the year as certificates of deposit matured they were rolled into new certificates and U.S. Treasury Securities.

The bank balance of the System's deposits is $997,149 of which $640,904 is covered by federal depository insurance and none is collateralized by U.S. Treasury securities held by the pledging financial institution's trust department in the System's name. All of the System's demand deposits and certificates of deposit have a fair market value that is equal to their carrying value The System holds $407,000 of U.S. Treasury Securities, due December 31, 2005, that are recorded on the books at their fair value of $407,000.

NOTE 4 RECEIVABLES

Accounts receivable are summarized as follows:

	2005
Village	$23,526
Township	11,995
Mottville	244
Village Annex	3,445
Fish Lake	4,250
Lagrange County, Indiana	7,280
Delinquent/bankruptcy	23,536
Total accounts receivable	$74,276

Sewer Assessments Receivable

Customers incurring the initial connection fees had the option of financing the fees over 38 years at an annual interest rate of 6%. At December 31, 2005 the current and long-term portions of the sewer assessment receivable are as follows:

	Beginning Balance	Additions/ Reductions	Receipts	Ending Balance	Due Within One Year	Long Term
Village	$ 53,491	$ -	$ 23,382	$ 30,109	$ 4,087	$ 26,022
Township	69,433	-	5,720	63,713	5,788	57,925
Village Annex	140,167	-	11,625	128,542	13,376	115,166
Fish Lake	169,759	-	35,085	134,674	15,468	119,206
Total	$432,850	$ -	$75,813	$357,037	$38,719	$318,319

NOTE 5 RESTRICTED ASSETS

In accordance with the bond ordinances of the Village and the Township of White Pigeon, the Bond and Interest Redemption Fund, the Bond Reserve Fund and the General Purpose Fund have been established and are restricted in use as specified in the ordinances.

Bond Redemption Reserves

	2005
Bond Reserve	$185,500
Bond and Interest Redemption	27,408
Total bond reserves	$212,908

NOTE 6 CAPITAL ASSETS

The following summarizes the changes in capital assets for the fiscal year ended December 31, 2004:

Business - Type Activities

	Balance December 31, 2003	Increases	Decreases	Balance December 31, 2004
Capital assets being depreciated:				
Land improvements	$ 3,322	$ -	$ -	$ 3,322
Buildings & improvements	130,332	-	-	130,332
Sewer projects	10,795,264	69,895	-	10,865,159
Machinery & equipment	82,128	28,819	18,659	92,289
Office equipment	23,983	-	-	23,983
Computer software	11,898	546	-	12,444
Subtotal	11,046,827	99,260	18,659	11,127,530
Less Accumulated depreciation for:				
Land improvements	658	135	-	793
Buildings & improvements	18,144	3,240	-	21,384
Sewer projects	4,651,483	262,721	-	4,914,204
Machinery & equipment	60,893	7,049	16,637	51,305
Office equipment	14,124	2,473	-	16,597
Computer software	3,402	1,739	-	5,141
Subtotal	4,748,704	277,357	16,637	5,009,424
Business – Type Activities Total Capital Assets- Net of depreciation	$ 6,298,123	($178,097)	$ 2,022	$6,118,106

Depreciation expense for 2004 was $275,865.

NOTE 7 PENSION PLAN

The System maintains a deferred contribution plan that covers all employees starting on their first day of employment who have reached the age of 18. Pension contributions are paid directly to the employees' individual retirement accounts. The employer contribution is 5% of eligible compensation. Employees may not contribute. For the year ended December 31, 2004, the employer contribution was $7,394.

NOTE 8 LONG-TERM DEBT

Bonds Payable – Village of White Pigeon

Revenue refunding bonds, issued March 23, 1989 by St. Joseph County for the purpose of refunding and retiring certain revenue bonds are payable from the net revenue of the System.

NOTE 8 LONG-TERM DEBT (CONTINUED)

The revenue bond ordinance governing this issue requires deposits to be made each month to the Bond and Interest Redemption Fund for payment of principal and interest on the bonds, a sum equal to at least one-sixth of the interest due on the next ensuring interest due date, and not less than one-twelfth of the principal maturing on the next November 1. The ordinance also requires a Bond Reserve Fund of a minimum of 10% of the original issue or $45,500.

All of the Refunding Bond which mature on or after November 1, 2003, are subject to redemption at the option of the Michigan Municipal Bond Authority on or after May 1, 2003 in whole or in part, at any time and, if in part, from such maturities as the Authority deems fair, at the respective redemption prices set forth below, plus accrued interest to the redemption date:

Redemption from May 1, 2003 to April 30, 2004	102%
Redemption from May 1, 2004 to April 30, 2005	101%
Redemption from May 1, 2005 and thereafter	100%

No premium shall be paid on bonds or portions thereof called for redemption on or after November 1, 2006.

Bond Payable – Sewer Extension

Limited tax general obligation wastewater system bonds, issued May 19, 1997 by St. Joseph County for the purpose of constructing sewer pipelines and plant improvements are payable from net revenues of the System.

The revenue bond ordinance governing this issue requires deposits to be made each month to the Bond and Interest Redemption Fund for the payment of principal and interest on the bonds at a sum equal to at least one-sixth of the interest due on the next ensuing interest due date and not less than one-twelfth of the principal maturing on the next November 1. The ordinance also requires a Bond Reserve Fund of a minimum of 10% of the original issue or $140,000.

Bonds of this issue maturing in the years 1998 to 2005, inclusive, shall not be subject to redemption prior to maturity. Bonds or portions of bonds in multiples of $5,000 of this issue maturing in the years 2006 to 2016, inclusive, shall be subject to redemption prior to maturity, at the option of the County, in such order as the County shall determine, on any interest payment date on or after November 1, 2005, at par and accrued interest to the date fixed for redemption, plus a premium expressed as a percentage of par, as follows:

Redemption from November 1, 2005 but prior to November 1, 2006, at 100.5% of par value of each Bond.

No premium shall be paid on bonds or portions thereof called for redemption on or after November 1, 2006.

NOTE 8 LONG-TERM DEBT (CONTINUED)

Bond and contractual obligation activity can be summarized as follows:

Business-Type Activities	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Revenue Refunding Bonds, Series 1989, Village of White Pigeon Sewer System, issued by St. Joseph County on March 23, 1989, $455,000 bond, varying interest rate, averaging 4.969%, maturing November 1, 2009.	$ 170,000	($ 30,000)	$ 140,000	$ 35,000
Limited Tax General Obligation Wastewater System Bonds, issued by St. Joseph County on May 19, 1997, $1,400,000 bond, 4.6 – 7% interest rate, maturing November 2017.	1,000,000	(75,000)	925,000	75,000
Total Business-Type Activities	$1,275,000	($105,000)	$1,065,000	$110,000

Annual debt service requirements to maturity for the above obligations are as follows:

	VILLAGE DEBT		SEWER EXTENSION		
Year End June 30	Principal	Interest	Principal	Interest	Total
2006	$ 35,000	$ 6,750	$ 75,000	$ 47,700	$ 164,450
2007	35,000	5,000	75,000	44,025	159,025
2008	35,000	3,250	75,000	40,275	153,525
2009	35,000	1,500	75,000	36,525	148,025
2010-2014	-	-	385,000	124,275	509,275
2015-2019	-	-	240,000	25,200	265,200
Totals	$140,000	$16,500	$ 925,000	$318,000	$1,399,500

NOTE 9 RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for workers' compensation and liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. At year end there are no outstanding claims.

OTHER SUPPLEMENTARY INFORMATION

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE
PROPRIETARY FUND - SANITARY SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Resources (inflows)				
Operating revenues				
Sewer Service				
Village	$ 189,530	$ 179,150	$ 179,709	$ 559
Township	153,130	148,500	153,417	4,917
Annexed Village	32,097	31,500	31,516	16
Fish Lake	42,324	42,377	42,956	579
Mottville Township	2,933	2,933	2,933	-
Indiana	87,360	87,360	87,360	-
Connections				
Village	-	5,530	7,355	1,825
Township	-	2,500	5,000	2,500
Fish Lake	-	11,000	11,000	-
Penalties				
Village	2,500	2,500	2,989	489
Township	1,300	1,300	1,366	66
Annexed Village	200	480	257	(223)
Fish Lake	1,400	1,450	1,263	(187)
Mottville Township	-	-	-	-
Permits				
Village	-	50	125	75
Township	-	50	75	25
Fish Lake	-	250	25	(225)
Miscellaneous				
Village	-	-	558	558
Total operating revenue	512,774	516,930	527,904	10,974

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
PROPRIETARY FUND - SANITARY SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Non-operating revenue				
Investment income				
Replacement fund	$ 1,700	$ 2,300	$ 7,132	$ 4,832
Village debt	1,050	350	1,087	737
Township debt	1,000	600	1,861	1,261
Village Annex debt	1,000	300	795	495
Fish Lake debt	4,000	4,500	8,262	3,762
Expansion fund	900	4,000	4,365	365
Village collection	400	900	964	64
Township collection	1,000	1,350	2,251	901
Annex collection	-	-	6	6
Fish Lake collection	80	80	414	334
Indiana collection	-	3	6	3
Interest on connections				
Village	-	-	3,132	3,132
Township	-	-	4,148	4,148
Village Annex	-	-	8,234	8,234
Fish Lake	-	-	9,881	9,881
				-
Total non-operating revenue	11,130	14,383	52,538	38,155
Available for Appropriations	523,904	531,313	580,442	49,129

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
PROPRIETARY FUND - SANITARY SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Charges to appropriations (outflows)				
Operating expenses				
Administration				
Salaries and wages	$ 39,170	$ 39,200	$ 40,260	$ (1,060)
Board fees	6,000	6,250	6,225	25
Payroll taxes	4,000	4,000	3,822	178
Health insurance	6,900	7,450	7,413	37
Pension expense	1,700	1,960	1,958	2
Supplies and postage	9,450	9,450	6,439	3,011
Computer services	3,000	1,000	2,510	(1,510)
Professional fees	8,400	8,400	7,288	1,112
Consultants	500	500	-	500
Telephone	2,500	2,500	2,357	143
Printing and publishing	150	150	22	128
Insurance	350	350	292	58
Utilities	1,500	1,500	1,491	9
Repair & maint.- equipment	600	1,000	891	109
Maintenance charges	2,150	2,150	1,376	774
Repair & maint. - building	250	250	1,146	(896)
Rental equipment	1,000	100	598	(498)
Bank service charges	50	50	16	34
Misc. administration	700	700	463	237
ACH debiting charges	900	900	826	74
Bad debt	100	100	-	100
Total Administration	89,370	87,960	85,393	2,567
Village Collection System				
Salaries and wages	3,300	3,400	3,544	(144)
Payroll taxes	265	265	261	4
Operating supplies	100	100	-	100
Gasoline and oil	500	600	797	(197)
Treatment chemicals	350	350	-	350
Insurance	920	950	922	28
Utilities	1,500	1,500	1,264	236
Repairs - equipment	2,000	2,000	110	1,890
Repairs - sewer	1,000	1,000	3,531	(2,531)
Telephone	300	300	220	80
Vehicle expense	220	300	311	(11)
Total Village Collection	10,455	10,765	10,960	(195)

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
PROPRIETARY FUND - SANITARY SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Township Collection System				
Salaries and wages	$ 11,000	$ 11,000	$ 8,991	$ 2,009
Payroll taxes	850	850	691	159
Operating supplies	100	100	58	42
Gasoline and oil	1,250	1,700	1,987	(287)
Treatment chemicals	3,600	3,600	1,682	1,918
Telephone	2,500	2,700	2,635	65
Vehicle expense	500	600	595	5
Insurance	3,400	3,500	3,403	97
Utilities	8,000	9,200	8,755	445
Repairs - equipment	10,000	7,000	4,986	2,014
Repairs - sewer	2,000	2,000	277	1,723
Total Township Collection	43,200	42,250	34,060	8,190
Annexed Village Collection System				
Salaries and wages	1,700	2,000	1,860	140
Payroll taxes	150	150	143	7
Operating supplies	75	-	-	-
Gasoline and oil	80	80	112	(32)
Treatment chemicals	250	-	-	-
Telephone	700	600	461	139
Vehicle expense	70	100	105	(5)
Insurance	600	600	583	17
Utilities	400	400	333	67
Repairs - equipment	500	70	68	2
Repairs - sewer	200	-	-	-
Total Annexed Village Collection	4,725	4,000	3,665	335

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
PROPRIETARY FUND - SANITARY SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Fish Lake Collection System				
Salaries and wages	$ 2,900	$ 2,400	$ 2,277	$ 123
Payroll taxes	220	220	175	45
Operating supplies	100	100	-	100
Gasoline and oil	150	150	184	(34)
Treatment chemicals	250	250	-	250
Telephone	500	500	436	64
Vehicle expense	100	130	138	(8)
Insurance	650	650	583	67
Utilities	600	650	600	50
Repairs - equipment	1,000	1,000	295	705
Repairs - sewer	500	500	357	143
Total Fish Lake Collection	6,970	6,550	5,045	1,505
Indiana Fish Lake Collection System				
Salaries and wages	2,000	2,000	1,858	142
Payroll taxes	200	200	143	57
Operating supplies	50	50	-	50
Gasoline and oil	150	150	184	(34)
Treatment chemicals	230	230	-	230
Telephone	500	500	419	81
Vehicle expense	100	130	138	(8)
Insurance	700	650	583	67
Utilities	600	650	600	50
Repairs - equipment	500	500	295	205
Repairs - sewer	250	250	357	(107)
Total Indiana Fish Lake Collection System	$ 5,280	$ 5,310	$ 4,577	$ 733

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
PROPRIETARY FUND - SANITARY SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Indiana Stone Lake Collection System				
Salaries and wages	$ 3,500	$ 3,800	$ 3,746	$ 54
Payroll taxes	300	300	287	13
Operating supplies	50	50	-	50
Gasoline and oil	250	250	365	(115)
Treatment chemicals	150	150	-	150
Telephone	3,000	3,000	2,435	565
Vehicle expense	175	175	174	1
Insurance	1,300	1,300	1,166	134
Utilities	1,100	1,200	997	203
Repairs - equipment	500	1,700	1,558	142
Repairs - sewer	250	250	-	250
Total Indiana Stone Lake Collection System	10,575	12,175	10,728	1,447
Treatment Plant				
Salaries and wages	93,000	95,000	93,847	1,153
Contract labor	500	500	420	80
Payroll taxes	7,200	7,500	7,161	339
Health insurance	21,600	21,600	18,339	3,261
Pension expense	6,000	5,000	5,675	(675)
Operating supplies	1,000	1,000	899	101
Expendable tools	3,000	3,000	2,236	764
Gasoline and oil	800	900	2,364	(1,464)
Treatment chemicals	10,000	10,000	8,446	1,554
Laboratory supplies	4,000	4,000	3,888	112
Consultants	3,000	58,000	290	57,710
Telephone	2,150	2,150	1,877	273
Vehicle expense	2,500	31,200	2,446	28,754
Insurance	21,500	21,700	21,624	76
Utilities	22,000	23,000	20,411	2,589
Repairs - equipment	8,000	8,000	17,615	(9,615)
Repairs - building	1,000	1,500	1,685	(185)
Equipment lease	500	500	-	500
Miscellaneous	1,500	1,500	1,911	(411)
Total Treatment Plant	209,250	296,050	211,134	84,916
Total Operating Expenses	379,825	465,060	365,562	99,498

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
PROPRIETARY FUND - SANITARY SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Non-operating Expenses				
Bond interest expense	$ 64,670	$ 59,550	$ 59,000	$ 550
Sale of fixed assests	-	-	(2,979)	2,979
Total Charges To Appropriations	444,495	524,610	421,583	103,027
Excess (Deficiency) of Resources Over Charges to Appropriations	79,409	6,703	158,859	152,156
Beginning of Year Fund Balance	7,023,006	7,023,006	7,023,006	-
End of Year Fund Balance	$ 7,102,415	$ 7,029,709	7,181,865	$ 152,156
Depreciation and amortization expense not budgeted for			280,286	
End of Year Balance as Reported on Proprietary Statement of Revenues Expenses and Changes in Net Assets			$ 6,901,579	

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND RESERVES
REPLACEMENT RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005
Revenues	
Village sewer service	$ 148,475
Township sewer service	94,382
Village Annex sewer service	19,578
Fish Lake sewer service	25,682
Indiana sewer service	68,486
Interest income	7,132
Total revenues	363,736
Operating Expenses	
Administration	85,393
Treatment plant	211,134
Total expenses	296,527
Excess of revenues over expenses	67,209
Beginning balance	485,016
Increase (Decrease) by Board action	(79,291)
Ending balance	$ 472,934

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND RESERVES
VILLAGE COLLECTION RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005
Revenues	
Sewer service	$ 10,864
Penalties	2,989
Investment income	964
Total revenues	14,817
Operating Expenses	
Salaries and wages	3,544
Payroll taxes	261
Gasoline and oil	797
Telephone	220
Vehicle expense	311
Insurance	922
Utilities	1,264
Repairs and maintenance	3,640
Total expenses	10,960
Excess of revenues over expenses	3,858
Beginning balance	68,087
Increase (Decrease) by Board action	(65,000)
Ending balance	$ 6,945

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND RESERVES
TOWNSHIP COLLECTION RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005
Revenues	
Sewer service	$ 59,035
Penalties	1,366
Investment income	2,251
Total revenues	62,652
Operating Expenses	
Salaries and wages	8,991
Payroll taxes	691
Operating supplies	58
Gasoline and oil	1,987
Telephone	2,635
Vehicle expense	595
Treatment chemicals	1,681
Insurance	3,403
Utilities	8,755
Repairs and maintenance	5,263
Total expenses	34,059
Excess of revenues over expenses	28,593
Beginning balance	84,305
Increase (Decrease) by Board action	-
Ending balance	$ 112,898

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND RESERVES
VILLAGE ANNEX COLLECTION RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005
Revenues	
Sewer service	$ 4,361
Penalties	257
Investment income	6
Total revenues	4,624
Operating Expenses	
Salaries and wages	1,860
Payroll taxes	143
Gasoline and oil	112
Telephone	461
Vehicle expense	105
Insurance	583
Utilities	333
Repairs and maintenance	68
Total expenses	3,665
Excess (Deficiency) of revenues over expenses	959
Beginning balance	966
Increase (Decrease) by Board action	-
Ending balance	$ 1,925

WHITE PIGEON SANITARY SYSTEM

SCHEDULES OF REVENUES, EXPENSES AND RESERVES
FISH LAKE COLLECTION RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005
Revenues	
Sewer service fees	$ 6,264
Penalties	1,262
Investment income	414
Total revenues	7,940
Operating Expenses	
Salaries and wages	2,277
Payroll taxes	175
Gasoline and oil	184
Telephone	436
Vehicle expense	138
Insurance	583
Utilities	600
Repairs and maintenance	652
Total expenses	5,045
Excess (Deficiency) of revenues over expenses	2,895
Beginning balance	19,841
Increase (Decrease) by Board action	-
Ending balance	$ 22,736

WHITE PIGEON SANITARY SYSTEM

SCHEDULES OF REVENUES, EXPENSES AND RESERVES
INDIANA COLLECTION RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005
Revenues	
Sewer service	$ 18,874
Total revenues	18,874
Operating Expenses	
Salaries and wages	5,604
Payroll taxes	430
Gasoline and oil	549
Telephone	2,854
Vehicle expense	312
Insurance	1,749
Utilities	1,597
Repairs and maintenance	2,210
Total expenses	15,305
Excess (Deficiency) of revenues over expenses	3,569
Beginning deficit	(2,562)
Increase (Decrease) by Board action	-
Ending deficit	$ 1,007

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND RESERVES
VILLAGE DEBT RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005
Revenues	
Sewer service fees	$ 20,370
Connections	7,355
Assessment interest	3,132
Assessment principal	23,382
Investment income	1,087
Total revenues	55,326
Operating Expenses	
Bond interest	14,454
Bond principal	39,548
Total expenses	54,002
Excess (Deficiency) of revenues over expenses	1,324
Beginning balance	107,156
Increase (Decrease) by Board action	65,000
Ending balance	$ 173,480

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND RESERVES
TOWNSHIP DEBT RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005
Revenues	
Sewer service fees	$ -
Assessment interest	4,148
Assessment principal	5,719
Connections	5,000
Investment income	1,861
Total revenues	16,728
Operating Expenses	
Bond interest	4,264
Bond principal	6,308
Total expenses	10,572
Excess (Deficiency) of revenues over expenses	6,156
Beginning balance	92,903
Increase (Decrease) by Board action	-
Ending balance	$ 99,059

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND RESERVES
VILLAGE ANNEX DEBT RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005
Revenues	
Sewer service fees	$ 8,357
Assessment interest	8,235
Assessment principal	11,626
Connections	-
Investment income	795
Total revenues	29,013
Operating Expenses	
Bond interest	11,818
Bond principal	17,483
Total expenses	29,301
Excess (Deficiency) of revenues over expenses	(288)
Beginning balance	54,152
Increase (Decrease) by Board action	-
Ending balance	$ 53,864

WHITE PIGEON SANITARY SYSTEM

SCHEDULES OF REVENUES, EXPENSES AND RESERVES
FISH LAKE DEBT RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005
Revenues	
Sewer service fees	$ 11,009
Assessment interest	9,881
Assessment principal	35,085
Connection fees	11,000
Investment income	8,262
Total revenues	75,237
Operating Expenses	
Bond interest	28,164
Bond principal	41,663
Total expenses	69,827
Excess (Deficiency) of revenues over expenses	5,410
Beginning balance	380,445
Increase (Decrease) by Board action	-
Ending balance	$ 385,855

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND RESERVES
EXPANSION FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005
Revenues	
Mottville sewer service	$ 2,153
Permits	225
Investment income	4,365
Total revenues	6,743
Beginning balance	98,024
Increase (Decrease) by Board action	(32,924)
Ending balance	$ 71,843

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF ALLOCATION OF BOND INDEBTEDNESS
1997 SERIES SEWER IMPROVEMENT BONDS
DECEMBER 31, 2004

YEAR	VILLAGE		TOWNSHIP		VILLAGE ANNEX		FISH LAKE		TOTALS	
DUE	12.73%		8.41%		23.31%		55.55%		100%	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
									$ 75,000.00	$ 51,300.00
2006	9,547.50	6,072.21	6,307.50	4,011.57	17,482.50	11,118.87	41,662.50	26,497.35	75,000.00	47,700.00
2007	9,547.50	5,604.38	6,307.50	3,702.50	17,482.50	10,262.23	41,662.50	24,455.89	75,000.00	44,025.00
2008	9,547.50	5,127.01	6,307.50	3,387.13	17,482.50	9,388.10	41,662.50	22,372.76	75,000.00	40,275.00
2009	9,547.50	4,649.63	6,307.50	3,071.75	17,482.50	8,513.98	41,662.50	20,289.64	75,000.00	36,525.00
2010	9,547.50	4,162.71	6,307.50	2,750.07	17,482.50	7,622.37	41,662.50	18,164.85	75,000.00	32,700.00
2011	9,547.50	3,671.01	6,307.50	2,425.23	17,482.50	6,722.02	41,662.50	16,019.23	75,000.00	28,837.50
2012	9,547.50	3,174.54	6,307.50	2,097.24	17,482.50	5,812.93	41,662.50	13,852.78	75,000.00	24,937.50
2013	10,184.00	2,673.30	6,728.00	1,766.10	18,648.00	4,895.10	44,440.00	11,665.50	80,000.00	21,000.00
2014	10,184.00	2,138.64	6,728.00	1,412.88	18,648.00	3,916.08	44,440.00	9,332.40	80,000.00	16,800.00
2015	10,184.00	1,603.98	6,728.00	1,059.66	18,648.00	2,937.06	44,440.00	6,999.30	80,000.00	12,600.00
2016	10,184.00	1,069.32	6,728.00	706.44	18,648.00	1,958.04	44,440.00	4,666.20	80,000.00	8,400.00
2017	10,184.00	534.66	6,728.00	353.22	18,648.00	979.02	44,440.00	2,333.10	80,000.00	4,200.00
	$ 117,752.50	$ 40,481.40	$ 77,792.50	$ 26,743.80	$ 215,617.50	$ 74,125.80	$ 513,837.50	$ 176,649.00	$ 1,000,000	$ 369,300