

Auditing Procedures Report

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

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Whitehall, Michigan	County Muskegon
Fiscal Year End 06/30/07	Opinion Date October 2, 2007	Date Audit Report Submitted to State October 10, 2007	

We affirm that:

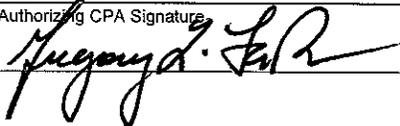
We are certified public accountants licensed to practice in Michigan

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	None issued - not required	
Certified Public Accountant (Firm Name) Pridnia LaPres, PLLC		Telephone Number 231-739-9441	
Street Address 3145 Henry Street, Ste. 200		City Muskegon	State MI
			Zip 49441
Authorizing CPA Signature 	Printed Name Gregory L. LaPres, CPA		License Number 1101013632

**City of Whitehall,
Michigan**



**Comprehensive Annual
Financial Report**
Year Ended June 30, 2007

Comprehensive Annual Financial Report

City of Whitehall, Michigan

June 30, 2007

Table of Contents

I. INTRODUCTORY SECTION	
Table of Contents	2-3
List of Elected and Appointed Officials	4
II. FINANCIAL SECTION	
Independent Auditors' Report	5-7
Management's Discussion and Analysis	9-16
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	18-19
Statement of Activities	20-21
Fund Financial Statements	
Balance Sheet - Governmental Funds	22-23
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	25
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	26-27
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental funds to the Statement of Activities	29
Statement of Net Assets - Proprietary Funds	30-33
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	34-35
Statement of Cash Flows - Proprietary Funds	36-39
Statement of Fiduciary Net Assets - Fiduciary Funds	40
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	41
Statement of Net Assets - Component Units	42-43
Statement of Activities - Component Units	44-45
Notes to Basic Financial Statements	47-75

Comprehensive Annual Financial Report
City of Whitehall, Michigan
June 30, 2007

Table of Contents

II. FINANCIAL SECTION - CONTINUED

Required Supplemental Material	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Major Governmental Funds	78-79
Required Supplementary Information for Pension Plans - GASB 27	81
Combining Funds Statements and Schedules	
Combining Balance Sheet - Non-Major Governmental Funds	82-85
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	86-89
Schedule of Operating Statistics (Unaudited)	90-91
Comparative Operating Statistics - Water and Sewer System (Unaudited)	92

CITY OF WHITEHALL, MICHIGAN

List of Elected and Appointed Officials

June 30, 2007

Elected Officials

Mayor	Emery Hatch
Mayor Pro Tem	Steve Sikkenga
Council Members	Jeff Holmstrom James Bartholomew Orville Smith Tanya Cabala Edd Whalen

Appointed Officials

City Manager	Scott K Huebler
City Clerk	Karen Helmlinger
Finance Officer/Treasurer	Laurie Audo

Independent Auditors' Report

To the Honorable Mayor and City Council
City of Whitehall, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Whitehall, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Whitehall'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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Whitehall, Michigan, as of June 30, 2007, 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, budgetary comparison information and schedule of funding status on pages 9 through 16 and pages 78 through 81 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Whitehall's basic financial statements. The combining funds statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining funds statements and 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. The schedules of operating statistics have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pudnicia Latus, PLLC

Muskegon, Michigan
October 2, 2007

Management Discussion and Analysis

June 30, 2007

Management of the City of Whitehall, respectfully submits this overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2007. We encourage you to consider the information presented in the financial statements along with the additional information furnished in this letter.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded liabilities of \$2,313,445 at the close of the fiscal year by \$21,705,431 (net assets). Of this amount, \$4,743,371 (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors.

Governmental activities had net assets totaling \$9,705,073. The business type activities added \$732,340 to net assets and ended the year with \$12,000,358.

The Brownfield Redevelopment Authority and Tax Increment Financing Authority were the only funds with a deficit at year end. Deficit reduction plans have been submitted to the state for approval.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, comprised of three components - government-wide, fund and notes. This report also contains supplementary information.

Government-wide Financial Statements

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

The Statement of Net Assets presents information on all of the City'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 City is improving or declining.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide statements mentioned above are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business type activities).

The governmental activities of the City include general government, public safety, public works, health, welfare and sanitation, community and economic development and cultural and recreational activities. The business-type activities of the City include water supply and distribution, sewer services, marina and the playhouse.

The government-wide financial statements include not only the primary government but also the legally separate entities - the Tax Increment Finance Authority (TIFA), Local Development Finance Authority (LDFA) and Brownfield Redevelopment Authority (BRA). The boards of these organizations are appointed by the City Council. Given the interrelation of the two, there is some potential liability for the City due to the pledge of its full faith and credit for debt obligations. The financial information of these component units is reported in a separate column from the financial information of the primary government.

Fund Financial Statements

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

Government Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on current sources, uses, and balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

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

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, street improvement fund, and the Tannery development construction fund, which are all considered major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds - The City has enterprise and internal service proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. These funds are used to account for the sewer, water, marina and playhouse operations. The internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The City uses its internal fund (Motor Pool) to charge the costs of equipment used to the individual funds. Because this service predominately benefits governmental rather than business-type functions, it has been included within governmental activities in the governmental-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for sewer, water, marina and playhouse funds all of which sewer, water and marina are major funds. The internal service fund is presented in its own column in the propriety funds financial statements.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City, primarily the pension fund. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the City's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include a reading of this section to better analyze and understand these statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the City's budgetary information as it relates to the actual expenditures for the General Fund and Street Improvement Fund.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information on budgetary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The first table presented is a summary of the government-wide statement of net assets for the City. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of June 30, the City's net assets from governmental activities totaled \$9,705,073 (45%) and \$12,000,358 (55%) from business-type activities, creating a total government-wide net asset total of \$21,705,431.

In examining the composition of these net assets, note that governmental activities net assets are invested in capital assets (i.e., streets, buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the residents and they are not available to pay salaries, operational expenses, or fund capital projects.

**TABLE 1
CITY OF WHITEHALL NET ASSETS**

	Governmental Activities 2007	Governmental Activities 2006	Business Type Activities 2007	Business Type Activities 2006	Total 2007	Total 2006
Assets						
Current	\$3,145,770	\$3,196,276	\$3,185,811	\$2,925,732	\$6,331,581	\$6,122,008
Restricted	-	-	106,142	122,127	106,142	122,127
Noncurrent	7,807,385	7,580,213	9,773,768	9,426,753	17,581,153	17,006,966
Total Assets	10,953,155	10,776,489	13,065,721	12,474,612	24,018,876	23,251,101
Liabilities						
Current	323,209	154,231	260,810	265,863	584,019	420,094
Noncurrent	924,873	737,148	804,553	940,731	1,729,426	1,677,879
Total Liab	1,248,082	891,379	1,065,363	1,206,594	2,313,445	2,097,973
Net Assets						
Capital, Net	7,088,168	7,061,890	8,348,248	7,831,234	15,436,416	14,893,124
Restricted	1,419,502	1,187,618	106,142	122,127	1,525,644	1,309,745
Unrestricted	1,197,403	1,635,602	3,545,968	3,314,657	4,743,371	4,950,259
Total Net Assets	\$9,705,073	\$9,885,110	\$12,000,358	\$11,268,018	\$21,705,431	\$21,153,128

Governmental Activities

Governmental activities decreased the City's net assets by \$180,037. Table 2 depicts this occurrence which will be discussed in more detail later in this analysis.

Business-type activities

At the end of the fiscal year, the net assets for business-type activities increased by \$732,340. This is most clearly represented by the increase in revenue over expenditures. Four funds comprise the business-type activities. The water fund experienced an increase in net assets of \$282,548, the sewer fund an increase of \$173,726, and the playhouse fund an increase of \$287,788 for the year.

TABLE 2
CITY OF WHITEHALL CHANGES IN NET ASSETS

Major Categories	Governmental Activities 2007	Governmental Activities 2006	Business Type Activities 2007	Business Type Activities 2006	Total 2007	Total 2006
Revenues						
Program rev.						
Charges for services	\$131,224	\$ 171,657	\$1,797,027	\$1,616,544	\$1,928,251	\$1,788,201
Op. grants	5,485	10,175	-	-	5,485	10,175
Capital grants	508,831	26,235	274,381	-	783,212	26,235
General rev						
Property taxes	1,109,066	1,063,573	-	-	1,109,066	1,063,573
Grants/cont.	889,429	751,158	-	-	889,429	751,158
Unrest. Earnings	136,915	107,155	130,662	113,778	267,577	220,933
Reimbursements	110,798	-	-	-	110,798	-
Misc.	24,532	32,503	19,696	-	44,228	32,503
Gain (loss) on sales	(59,145)	(23,721)	-	-	(59,145)	(23,721)
Transfers	(34,834)	535,350	34,834	-	-	535,350
Total Revenues	2,822,301	2,674,085	2,256,600	1,730,322	5,078,901	4,404,407
Expenses						
General govern	525,418	549,334	-	-	525,418	549,334
Public safety	902,701	887,040	-	-	902,701	887,040
Public works	1,364,337	881,034	-	-	1,364,337	881,034
Health & welfare	7,910	5,898	-	-	7,910	5,898
Culture & rec	145,795	144,921	-	-	145,795	144,921
Economic dev	20,033	19,781	-	-	20,033	19,781
Other	8,196	8,455	-	-	8,196	8,455
Interest	27,948	31,061	-	-	27,948	31,061
Sewer fund	-	-	724,056	754,853	724,056	754,853
Water fund	-	-	583,453	540,064	583,453	540,064
Marina fund	-	-	175,376	199,193	175,376	199,193
Playhouse fund	-	-	41,375	-	41,375	-
Total Expenses	3,002,338	2,527,524	1,524,260	1,494,110	4,526,598	4,021,634
Increase(decrease) in Net Assets	(180,037)	146,561	732,340	236,212	552,303	382,773
Net Assets-- July 1, 2006	9,885,110	9,738,549	11,268,018	11,031,806	21,153,128	20,770,355
Net Assets-- June 30, 2007	\$9,705,073	\$ 9,885,110	12,000,358	\$11,268,018	21,705,431	\$21,153,128

FINANCIAL ANALYSIS

As stated earlier in this discussion and analysis, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2007 fiscal year, the governmental funds reported a combined fund balance of \$2,513,779. Of this number, \$1,068,525 represents the unreserved fund balance, comprised of \$701,975 in the General Fund, \$215 in the Street Improvement Fund, and \$366,335 in other governmental funds. It is necessary to further distinguish between unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders (\$25,752), capital purchases (\$1,026,333), and reserves for perpetual care (\$393,169).

The General Fund is the chief operating fund of the City. At the end of 2007, the unreserved General Fund balance was \$701,975 and the total General Fund balance was \$727,727. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 35% of the general fund expenditures and outgoing transfers.

Proprietary Funds

The City proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net assets of the Marina Fund at the end of the year increased by \$7,774 as also did the Sewer Fund by \$164,599, the Water Fund by \$41,012 and the Playhouse Fund by \$17,926. The result was an overall net increase in the proprietary funds of \$231,311.

General Fund Budget

Minimal amendments were made to the original budget during the fiscal year. General Fund revenues were reduced in state shared revenue, property taxes, parking fines, cemetery trust transfer and police programs. Revenues were increased for a police grant, lease by the fire authority and interest earnings. Increases in expenses occurred for downtown streetscape, streetlighting, sanitation, sidewalks, cemetery improvements, and transfers to the playhouse and street improvement funds.

Capital Assets Administration

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2007 totaled \$17,057,867 (net of accumulated depreciation). Investment in capital assets includes land, buildings, infrastructure, improvements, machinery, equipment, and vehicles.

Major capital asset events during the current fiscal year included the completion of infrastructure related to Division Street and Hanson Street water improvements, the addition of the playhouse and the governmental activities of Division Street, country Club and River paving. Construction in progress includes Goodrich Park improvements and Lake St infrastructure improvements.

**TABLE 3
CITY OF WHITEHALL CAPITAL ASSETS
Net of Accumulated Depreciation**

	Governmental Activities 2007	Governmental Activities 2006	Business- Type Activities 2007	Business- Type Activities 2006	Total 2007	Total 2006
Land	\$930,278	\$ 930,278	\$453,097	\$ 349,643	\$1,383,375	\$ 1,279,921
Construction in progress	130,522	135,248	293,130	678,853	423,652	814,101
Land improvements	226,975	257,885	254,958	265,015	481,933	522,900
Buildings	746,206	784,109	564,787	427,337	1,310,993	1,211,446
Infrastructure	5,424,206	5,069,873	7,626,155	7,077,491	13,050,361	12,147,364
Equipment	349,198	402,820	58,355	66,861	407,553	469,681
Total	\$7,807,385	\$7,580,213	\$9,250,482	\$8,865,200	\$17,057,867	\$16,445,413

Long Term Debt

At the end of the fiscal year, the City had total outstanding debt of \$3,468,181 consisting of general obligation bonds, brownfield loan, revenue bonds, installment purchase agreements, and accumulated compensated absences. The general obligation debt of \$335,000 and \$250,000 brownfield loan in governmental funds and \$1,540,000 in the component units are backed by the full faith and credit of the City. There are also installment purchases of \$17,662 for the ambulance building and \$109,766 for the Mill Pond property on Lake Street. The remainder of the debt represents bonds secured solely by specified revenue sources.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The General Fund has three major revenue sources - state shared revenue, property taxes and contributions from TIFA and LDFA. These three comprised over 90% of the general fund revenue. In fiscal year 2007/08, State shared revenue, TIFA/LDFA contributions and property tax revenues are expected to decrease.

The City has undertaken a number of measures to offset flat or declining revenues such as reducing expenditures, reduced staffing, and changes in health care plans.

The General Fund Budget expenditures decreased for fiscal year 2007/08 by 11%. The budget is using 92,337 of fund balance. The Fund will be left with a fund balance at 33% of expenses which is less than the 35% target fund balance. Costs were decreased or held in the majority of all the departments. The biggest decreases were in the transfers to other funds.

The City Council and staff remain optimistic that the City's economic stability will be further enhanced by several projects in various stages of development. These include the redevelopment of the old tannery and downtown phase II.

The City's business-type activities have not experienced the same revenue losses as the governmental activities funds. Service rates for water and sewer will remain the same for next year. Marina rates are established by the Michigan Waterways Commission. The Playhouse summer season was a success, so hopefully it will be able to support itself in the coming year.

Requests for Information

This financial report is designed to provide a general overview of the City of Whitehall's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Whitehall, 405 East Colby Street, Whitehall, Michigan, 49461, (231) 894-4048.

<i>June 30, 2007</i>	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and investments	\$2,693,131	\$ 2,676,830	\$ 5,369,961
Receivables	8,255	473,600	481,855
Internal balances	27,775	(27,605)	170
Due from component unit	50,000	-	50,000
Due from other governmental units	329,712	1,035	330,747
Inventories	11,145	59,701	70,846
Prepaid items	25,752	2,250	28,002
Restricted assets	-	106,142	106,142
Capital assets, net	7,807,385	9,250,482	17,057,867
Access rights, net	-	510,384	510,384
Bond issue costs, net	-	12,902	12,902
Total Assets	10,953,155	13,065,721	24,018,876
Liabilities			
Accounts payable and accrued expenses	251,915	93,361	345,276
Customer deposits	-	6,238	6,238
Deferred revenue	1,961	14,608	16,569
Bonds, capital leases and contracts, due within one year	62,544	136,211	198,755
Accrued interest, due within one year	6,789	10,392	17,181
Bonds, capital leases and contracts, less amounts due within one year	649,884	755,631	1,405,515
Compensated absences	274,989	48,922	323,911
Total Liabilities	1,248,082	1,065,363	2,313,445
Net Assets (Deficit)			
Investment in capital assets, net of related debt	7,088,168	8,348,248	15,436,416
Restricted for			
Capital projects	1,026,333	-	1,026,333
Debt service	-	106,142	106,142
Perpetual care	393,169	-	393,169
Unrestricted	1,197,403	3,545,968	4,743,371
Net Assets (Deficit)	\$9,705,073	\$12,000,358	\$21,705,431

City of Whitehall, Michigan

Statement of Net Assets

Total Component Units
\$ 410,724
2,668
-
(50,000)
59,128
-
-
-
940,244
-
28,100
<hr/> 1,390,864
22,857
-
-
215,000
37,110
1,325,000
<hr/> -
<hr/> 1,599,967
-
-
-
-
(209,103)
<hr/> <hr/> \$(209,103)

The accompanying notes are an integral part of this statement.

<i>Year ended June 30, 2007</i>	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Government activities					
General government	\$ 525,418	\$ 45,377	\$ -	\$ -	\$ 45,377
Public safety	902,701	27,313	5,485	-	32,798
Public works	1,364,337	58,534	-	508,831	567,365
Health and sanitation	7,910	-	-	-	-
Community and economic development	20,033	-	-	-	-
Culture and recreation	145,795	-	-	-	-
Other governmental functions	8,196	-	-	-	-
Interest on long-term debt	27,948	-	-	-	-
Total Government Activities	3,002,338	131,224	5,485	508,831	645,540
Business-Type Activities					
Sewer	724,056	888,962	-	-	888,962
Water	583,453	752,915	-	-	752,915
Marina	175,376	155,150	-	-	155,150
Non-Major - Playhouse	41,375	-	-	274,381	274,381
Total Business-Type Activities	1,524,260	1,797,027	-	274,381	2,071,408
Total Primary Government	\$ 4,526,598	\$ 1,928,251	\$ 5,485	\$ 783,212	\$ 2,716,948
Component Units					
TIFA	\$ 1,291,225	\$ -	\$ -	\$ 59,128	\$ 59,128
LDFA	189,544	-	-	-	-
Brownfield Redevelopment Authority	15,660	-	-	-	-
Total Component Units	\$ 1,496,429	\$ -	\$ -	\$ 59,128	\$ 59,128
General Revenues, Transfers and Special Items					
Property taxes					
Grants and contributions not restricted to specific programs					
Reimbursements					
Unrestricted investment earnings					
Miscellaneous					
Transfers					
Loss on sale of fixed assets					
Total General Revenues, Transfers and Special items					
Change in Net Assets (Deficit)					
Net Assets – beginning of year					
Net Assets (Deficit) – end of year					

City of Whitehall, Michigan

Statement of Activities

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Total Component Units
Governmental	Business- Type Activities	Total	
\$ (480,041)	\$ -	\$ (480,041)	\$ -
(869,903)	-	(869,903)	-
(796,972)	-	(796,972)	-
(7,910)	-	(7,910)	-
(20,033)	-	(20,033)	-
(145,795)	-	(145,795)	-
(8,196)	-	(8,196)	-
(27,948)	-	(27,948)	-
(2,356,798)	-	(2,356,798)	-
-	164,906	164,906	-
-	169,462	169,462	-
-	(20,226)	(20,226)	-
-	233,006	233,006	-
-	547,148	547,148	-
(2,356,798)	547,148	(1,809,650)	-
-	-	-	(1,232,097)
-	-	-	(189,544)
-	-	-	(15,660)
-	-	-	(1,437,301)
1,109,066	-	1,109,066	965,013
889,429	-	889,429	-
110,798	-	110,798	-
136,915	130,662	267,577	55,262
24,532	19,696	44,228	-
(34,834)	34,834	-	-
(59,145)	-	(59,145)	-
2,176,761	185,192	2,361,953	1,020,275
(180,037)	732,340	552,303	(417,026)
9,885,110	11,268,018	21,153,128	207,923
\$ 9,705,073	\$ 12,000,358	\$ 21,705,431	\$ (209,103)

The accompanying notes are an integral part of this statement

<i>June 30, 2007</i>	General Fund	Street Improvement Fund	Tannery Development Construction Fund
Assets			
Cash and investments	\$ 629,827	\$ 215	\$ 900,533
Taxes receivable	211	-	-
Interest receivable	2,510	-	2,673
Due from other governmental units	98,617	-	185,969
Due from other funds	25,117	-	-
Due from component unit	50,000	-	-
Prepaid items	25,752	-	-
Total Assets	\$ 832,034	\$ 215	\$ 1,089,175
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 45,867	\$ -	\$ 141,068
Accrued liabilities	57,154	-	-
Deferred revenue	1,286	-	-
Total Liabilities	104,307	-	141,068
Fund Balances			
Reserved for prepaid items	25,752	-	-
Reserved for capital projects	-	-	948,107
Reserved for perpetual care	-	-	-
Unreserved	701,975	215	-
Total Fund Balances	727,727	215	948,107
Total Liabilities and Fund Balances	\$ 832,034	\$ 215	\$ 1,089,175

City of Whitehall, Michigan

Governmental Funds

Balance Sheet



Other Governmental Funds	Total Governmental Funds
\$797,958	\$2,328,533
-	211
1,658	6,841
42,244	326,830
-	25,117
-	50,000
-	25,752
<hr/>	<hr/>
\$841,860	\$2,763,284
<hr/>	<hr/>
\$ 540	\$ 187,475
2,915	60,069
675	1,961
<hr/>	<hr/>
4,130	249,505
-	25,752
78,226	1,026,333
393,169	393,169
366,335	1,068,525
<hr/>	<hr/>
837,730	2,513,779
<hr/>	<hr/>
\$841,860	\$2,763,284
<hr/>	<hr/>

The accompanying notes are an integral part of this statement.

City of Whitehall, Michigan

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

June 30, 2007

Total Fund Balance - Governmental Funds	\$ 2,513,779
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds	
Cost of capital assets	13,296,761
Accumulated depreciation	<u>(5,927,196)</u>
	7,369,565
Long-term liabilities in governmental activities are not due and payable in the current period and are not reported in the governmental funds	
Long-term liabilities	(712,428)
Compensated absences	<u>(266,167)</u>
	(978,595)
Accrued interest in governmental activities is not reported in the governmental funds	(6,789)
Internal service funds are used by management to charge the costs of equipment and information system costs to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.	807,113
Net Assets of Governmental Activities in the Statement of Net Assets	\$ 9,705,073

The accompanying notes are an integral part of this statement.

<i>Year ended June 30, 2007</i>	General Fund	Street Improvement Fund	Tannery Development Construction Fund
Revenues			
Property taxes	\$ 1,109,066	\$ -	\$ -
Licenses and permits	14,321	-	-
Intergovernmental revenues			
Federal	2,208	-	-
State	304,728	281,250	225,782
Local	350,959	-	-
Charges for services	57,418	-	-
Fines and forfeitures	11,313	-	-
Reimbursements	-	110,798	-
Investment earnings	65,583	2,621	35,541
Other	2,840	304	-
Total Revenues	1,918,436	394,973	261,323
Expenditures			
Current			
General government	478,664	-	-
Public safety	779,725	-	-
Public works	117,094	-	9,465
Health and sanitation	7,910	-	-
Community and economic development	20,033	-	-
Culture and recreation	143,988	-	-
Other governmental functions	8,196	-	-
Debt service			
Principal	6,473	-	-
Interest and fees	1,421	-	-
Capital outlay	15,102	1,005,321	290,098
Total Expenditures	1,578,606	1,005,321	299,563
Excess of revenues over (under) expenditures	339,830	(610,348)	(38,240)
Other Financing Sources (Uses)			
Proceeds from sale of fixed assets	226	-	-
Proceeds from issuance of long-term debt	-	-	250,000
Operating transfers in	-	234,450	-
Operating transfers out	(401,293)	(16,985)	-
Total Other Financing Sources (Uses)	(401,067)	217,465	250,000
Net change in fund balances	(61,237)	(392,883)	211,760
Fund Balance, at beginning of year	788,964	393,098	736,347
Fund Balance, at end of year	\$ 727,727	\$ 215	\$ 948,107

City of Whitehall, Michigan

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances



Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,109,066
-	14,321
-	2,208
266,517	1,078,277
-	350,959
31,847	89,265
-	11,313
-	110,798
33,170	136,915
10,014	13,158
341,548	2,916,280
-	478,664
36,446	816,171
343,539	470,098
-	7,910
-	20,033
-	143,988
-	8,196
49,422	55,895
27,118	28,539
41,229	1,351,750
497,754	3,381,244
(156,206)	(464,964)
-	226
-	250,000
201,224	435,674
(52,230)	(470,508)
148,994	215,392
(7,212)	(249,572)
844,942	2,763,351
\$ 837,730	\$ 2,513,779

The accompanying notes are an integral part of this statement

City of Whitehall, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2007

Net Change in Fund Balances – Total Governmental Funds	\$ (249,572)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives	
Capital outlay	830,049
Depreciation expense	<u>(499,308)</u>
	330,741
Proceeds from the sale of fixed assets are reported as revenues in the governmental funds; proceeds are netted against net book value in the Statement of Activities and a net resulting gain or loss is recorded.	(59,371)
Proceeds from long-term borrowings are recorded as revenues in the governmental funds, but the repayment increases long-term liabilities in the Statement of Net Assets	(250,000)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	55,895
Accrued interest on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid	591
Increases in the compensated absences are reported on the accrual method in the Statement of Activities, but reported as expenditures when financial resources are used in the governmental funds	(288)
The internal service fund is used by management to charge the costs of equipment and information systems to individual funds.	<u>(8,033)</u>
Change in Net Assets of Governmental Activities	\$ (180,037)

The accompanying notes are an integral part of this statement

<i>June 30, 2007</i>	Enterprise Funds		
	Sewer	Water	Marina
Assets			
Current Assets			
Cash and investments	\$1,241,648	\$ 1,220,521	\$ 179,016
Accounts receivable	254,497	213,443	-
Interest receivable	4,961	-	653
Due from other funds	2,157	1,577	-
Due from other governmental units	-	-	1,035
Inventories	-	35,575	24,126
Prepaid items	-	-	-
Total Current Assets	1,503,263	1,471,116	204,830
Restricted Assets	62,320	43,822	-
Non-Current Assets			
Capital assets, net			
Plants and systems	3,577,225	6,748,358	-
Buildings and improvements	-	341,148	474,835
Land improvements	-	-	523,536
Equipment	190,470	17,452	-
Land	-	4,223	345,420
Construction in progress	144,380	148,750	-
Less accumulated depreciation	(1,156,955)	(1,972,447)	(405,775)
Capital assets, net	2,755,120	5,287,484	938,016
Access rights, net of accumulated amortization	510,384	-	-
Bond issuance costs, net of accumulated amortization	7,573	5,329	-
Total Non-Current Assets	3,273,077	5,292,813	938,016
Total Assets	4,838,660	6,807,751	1,142,846

City of Whitehall, Michigan

Proprietary Funds

Statement of Net Assets

Nonmajor - Playhouse		Total	Internal Service Funds
\$ 35,645	\$ 2,676,830	\$ 364,598	
-	467,940	-	
46	5,660	1,203	
-	3,734	2,658	
-	1,035	2,882	
-	59,701	11,145	
2,250	2,250	-	
37,941	3,217,150	382,486	
-	106,142	-	
-	10,325,583	-	
161,102	977,085	410,121	
-	523,536	-	
9,825	217,747	941,983	
103,454	453,097	-	
-	293,130	-	
(4,519)	(3,539,696)	(914,284)	
269,862	9,250,482	437,820	
-	510,384	-	
-	12,902	-	
269,862	9,773,768	437,820	
307,803	13,097,060	820,306	

The accompanying notes are an integral part of this statement.

This Statement Covers More Than One Page.

<i>June 30, 2007</i>	Enterprise Funds		
	Sewer	Water	Marina
Liabilities			
Current Liabilities			
Accounts payable	\$ 56,575	\$ 11,801	\$ 7,422
Accrued expenses	9,586	10,098	2,864
Customer deposits	-	6,238	-
Due to other funds	1,577	29,762	-
Deferred revenue	-	-	-
Bonds, capital leases and contracts, due within one year	106,211	30,000	-
Total Current Liabilities	173,949	87,899	10,286
Non-Current Liabilities			
Bonds, capital leases and contracts, less amounts due within one year	465,631	290,000	-
Compensated absences	18,446	30,476	-
Total Non-Current Liabilities	484,077	320,476	-
Total Liabilities	658,026	408,375	10,286
Net Assets			
Invested in capital assets, net of related debt	2,177,208	4,963,162	938,016
Restricted for debt service	62,320	43,822	-
Unrestricted	1,941,106	1,392,392	194,544
Total Net Assets	\$4,180,634	\$ 6,399,376	\$ 1,132,560

City of Whitehall, Michigan

Proprietary Funds

Statement of Net Assets



Nonmajor - Playhouse	Total	Internal Service Funds
\$ 3,188	\$ 78,986	\$ 2,432
2,219	24,767	1,939
-	6,238	-
-	31,339	-
14,608	14,608	-
-	136,211	-
20,015	292,149	4,371
-	755,631	-
-	48,922	8,822
-	804,553	8,822
20,015	1,096,702	13,193
269,862	8,348,248	437,820
-	106,142	-
17,926	3,545,968	369,293
\$ 287,788	\$ 12,000,358	\$ 807,113

The accompanying notes are an integral part of this statement.

<i>Year ended June 30, 2007</i>	Enterprise Funds		
	Sewer	Water	Marina
Revenues			
Charges for services	\$ 878,236	\$ 730,956	\$ 155,150
Operating Expenses			
Operations	565,988	378,143	150,239
Depreciation and amortization	124,104	186,566	24,829
Total Operating Expenses	690,092	564,709	175,068
Operating Income (Loss)	188,144	166,247	(19,918)
Non-Operating Revenues (Expenses)			
Investment income	64,760	57,146	8,504
Connection fees	10,726	21,959	-
Other income	-	-	-
Interest expense	(33,964)	(18,744)	(308)
Total Non-Operating Revenues	41,522	60,361	8,196
Income (Loss) Before Transfers, Contributions and Other Items	229,666	226,608	(11,722)
Transfers in	-	-	-
Transfers out	(55,940)	55,940	-
Contributions	-	-	-
Change in Net Assets	173,726	282,548	(11,722)
Net Assets, beginning of year	4,006,908	6,116,828	1,144,282
Net Assets, end of year	\$4,180,634	\$ 6,399,376	\$ 1,132,560

City of Whitehall, Michigan

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Assets

Nonmajor - Playhouse	Total	Internal Service Funds
\$ -	\$ 1,764,342	\$ 208,014
36,856	1,131,226	168,029
4,519	340,018	64,127
41,375	1,471,244	232,156
(41,375)	293,098	(24,142)
252	130,662	16,109
-	32,685	-
19,696	19,696	-
-	(53,016)	-
19,948	130,027	16,109
(21,427)	423,125	(8,033)
34,834	34,834	-
-	-	-
274,381	274,381	-
287,788	732,340	(8,033)
-	11,268,018	815,146
\$ 287,788	\$ 12,000,358	\$ 807,113

The accompanying notes are an integral part of this statement.

<i>Year ended June 30, 2007</i>	Enterprise Funds		
	Sewer	Water	Marina
Cash Flows from Operating Activities			
Receipts from customers	\$ 840,646	\$ 691,202	\$ 158,598
Receipts from interfund services provided	-	-	-
Payments to suppliers	(422,423)	(174,600)	(120,970)
Payments to employees	(146,605)	(212,160)	(35,177)
Internal activity - payments to other funds	(746)	710	-
Net cash provided by (used for) operating activities	270,872	305,152	2,451
Cash Flows from Non-Capital Financing Activities			
Operating subsidies and transfers to other funds	(55,940)	55,940	-
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	-	(412,652)	-
Principal and interest paid on capital debt	(141,346)	(49,138)	(5,641)
Other receipts	10,726	21,959	-
Net cash provided by (used for) capital and related financing activities	(130,620)	(439,831)	(5,641)
Cash Flows from Investing Activities			
Investment earnings	59,799	57,146	7,851
Net increase (decrease) in cash and investments	144,111	(21,593)	4,661
Cash and investments, beginning of year	1,159,857	1,285,936	174,355
Cash and investments, end of year	\$1,303,968	\$ 1,264,343	\$ 179,016

City of Whitehall, Michigan

Proprietary Funds

Statement of Cash Flows

Nonmajor - Playhouse		Total	Internal Service Funds
\$ 14,608	\$ 1,705,054		\$ -
-	-		205,565
(15,426)	(733,419)		(72,603)
(18,273)	(412,215)		(84,209)
-	(36)		2,114
(19,091)	559,384		50,867
34,834	34,834		-
-	(412,652)		(19,929)
-	(196,125)		-
19,696	52,381		-
19,696	(556,396)		(19,929)
206	125,002		14,906
35,645	162,824		45,844
-	2,620,148		318,754
\$ 35,645	\$ 2,782,972		\$ 364,598

The accompanying notes are an integral part of this statement

This Statement Covers More Than One Page.

<i>Year ended June 30, 2007</i>	Enterprise Funds		
	Sewer	Water	Marina
Reconciliation of cash and investments to the balance sheet			
Cash and investments	\$1,241,648	\$ 1,220,521	\$ 179,016
Restricted assets	62,320	43,822	-
	\$1,303,968	\$ 1,264,343	\$ 179,016
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ 188,144	\$ 166,247	\$ (19,918)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation and amortization	124,104	186,566	24,829
Change in assets and liabilities			
Receivables, net	(37,590)	(38,909)	-
Due from other governmental units	-	-	3,448
Due from other funds	(1,956)	(1,210)	-
Inventories	-	1,197	(1,470)
Prepaid items	-	-	-
Accounts and other payables	(3,577)	(8,376)	(5,263)
Accrued expenses	537	(1,438)	825
Customer deposits	-	(845)	-
Due to other funds	1,210	1,920	-
Deferred revenue	-	-	-
Net Cash Provided by (Used for)			
Operating Activities	\$ 270,872	\$ 305,152	\$ 2,451
Non-cash financing activities			
Contribution of building and equipment	\$ -	\$ -	\$ -

City of Whitehall, Michigan

Proprietary Funds

Statement of Cash Flows



Nonmajor - Playhouse	Total	Internal Service Funds
\$ 35,645	\$ 2,676,830	\$ 364,598
-	106,142	-
\$ 35,645	\$ 2,782,972	\$ 364,598
\$ (41,375)	\$ 293,098	\$ (24,142)
4,519	340,018	64,127
-	(76,499)	-
-	3,448	(2,449)
-	(3,166)	2,114
-	(273)	12,243
(2,250)	(2,250)	-
3,188	(14,028)	(1,117)
2,219	2,143	91
-	(845)	-
-	3,130	-
14,608	14,608	-
\$ (19,091)	\$ 559,384	\$ 50,867
\$ 274,381	\$ 274,381	\$ -

The accompanying notes are an integral part of this statement.

City of Whitehall, Michigan

Fiduciary Funds

Statement of Fiduciary Net Assets

		<u>Agency Fund</u>
	Pension Trust Fund	Tax Collection Fund
<i>June 30, 2007</i>		
Assets		
Cash and investments	\$ 761,488	\$ -
Taxes receivable	-	170
	<u>761,488</u>	<u>170</u>
Liabilities		
Due to other funds	-	<u>\$ 170</u>
Net Assets		
Held in trust for pension benefits	<u>\$ 761,488</u>	

The accompanying notes are an integral part of this statement.

City of Whitehall, Michigan

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

	Pension Trust Fund
<i>Year ended June 30, 2007</i>	
<hr/>	
Additions	
Contributions	
Employer	\$ 22,173
Plan members	76,537
<hr/>	
Total contributions	98,710
Investment earnings	
Net increase in fair value of investments	93,666
<hr/>	
Total Additions	192,376
Deductions	
Benefits paid	24,918
Fees	35
<hr/>	
Total Deductions	24,953
<hr/>	
Change in Net Assets	167,423
Net Assets – Beginning of Year	594,065
<hr/>	
Net Assets – End of Year	\$761,488
<hr/>	

The accompanying notes are an integral part of this statement.

<i>June 30, 2007</i>	TIFA	LDFA
Assets		
Current Assets		
Cash and investments	\$ 291,366	\$114,205
Interest receivable	2,277	391
Due from other governments	59,128	-
Total Current Assets	352,771	114,596
Non-Current Assets		
Capital assets, net	392,616	547,628
Bond issue costs, net	16,467	11,633
Total Non-Current Assets	409,083	559,261
Total Assets	\$ 761,854	\$673,857
Liabilities and Net Assets (Deficit)		
Current Liabilities		
Accounts payable and accrued expenses	\$ 17,303	\$ 429
Due to the primary government	-	-
Bonds, capital leases and contracts, due within one year	150,000	65,000
Accrued interest, due within one year	26,303	10,807
Total Current Liabilities	193,606	76,236
Non-Current Liabilities		
Bonds, less amounts due within one year	890,000	435,000
Total Liabilities	1,083,606	511,236
Net Assets (Deficit)		
Unrestricted	(321,752)	162,621
Total Net Assets (Deficit)	\$ (321,752)	\$162,621

City of Whitehall, Michigan

Components Units

Statement of Net Assets



Brownfield Redevelopment Authority	Total
\$ 5,153	\$ 410,724
-	2,668
-	59,128
5,153	472,520
-	940,244
-	28,100
-	968,344
\$ 5,153	\$1,440,864

\$ 5,125	\$ 22,857
50,000	50,000
-	215,000
-	37,110
55,125	324,967
-	1,325,000
55,125	1,649,967
(49,972)	(209,103)
\$ (49,972)	\$ (209,103)

The accompanying notes are an integral part of this statement.

<i>Year ended June 30, 2007</i>	Expenses	Program Revenue Capital Grants and Contributions
Component Units		
TIFA		
General government	\$ 60,134	\$ -
Public works	688,708	59,128
Interest on long-term debt	42,383	-
Other governmental function	500,000	-
Total TIFA	1,291,225	59,128
LDFA		
General government	24,546	-
Public works	6,830	-
Interest on long-term debt	18,168	-
Other governmental function	140,000	-
Total LDFA	189,544	-
Brownfield Redevelopment Authority	15,660	-
Total Component Units	\$1,496,429	\$ 59,128
General revenues		
Property taxes		
Unrestricted investment earnings		
Total general revenues		
Change in Net Assets (Deficit)		
Net Assets (Deficit), beginning of year		
Net Assets (Deficit), end of year		

City of Whitehall, Michigan

Components Units

Statement of Activities

Net (Expense) Revenue and Changes in Net Assets			
TIFA	LDFA	Brownfield Redevelopment Authority	Total
\$ (60,134)	\$ -	\$ -	\$ (60,134)
(629,580)	-	-	(629,580)
(42,383)	-	-	(42,383)
(500,000)	-	-	(500,000)
(1,232,097)	-	-	(1,232,097)
-	(24,546)	-	(24,546)
-	(6,830)	-	(6,830)
-	(18,168)	-	(18,168)
-	(140,000)	-	(140,000)
-	(189,544)	-	(189,544)
-	-	(15,660)	(15,660)
(1,232,097)	(189,544)	(15,660)	(1,437,301)
741,790	222,544	679	965,013
45,416	9,794	52	55,262
787,206	232,338	731	1,020,275
(444,891)	42,794	(14,929)	(417,026)
123,139	119,827	(35,043)	207,923
\$ (321,752)	\$162,621	\$(49,972)	\$ (209,103)

The accompanying notes are an integral part of this statement

City of Whitehall, Michigan

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

The financial statements of the City of Whitehall, Michigan (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance. The more significant of the City's accounting policies are described below.

Financial Reporting Entity

The City of Whitehall, Michigan (City) is a municipal corporation governed by an elected seven-member City Council which appoints one of its members as mayor and is administered by a city manager appointed by the City Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely presented component units – The discretely presented component units are reported in a separate column in the combined financial statements to emphasize that it is legally separate from the primary government. Each discretely presented component unit has a June 30, fiscal year end. The discretely presented component units are as follows:

City of Whitehall, Michigan

Notes to Basic Financial Statements

Tax Increment Finance Authority (TIFA), Brownfield Redevelopment Authority (Brownfield), and Local Development Finance Authority (L DFA) The TIFA, Brownfield and L DFA boards are appointed by the City Council, but the Authorities operate as a separate entity The boards can authorize and issue debt independent from the City Component units are presented as governmental fund types.

The White Lake Ambulance Authority, White Lake Fire Authority, White Lake Area Solid Waste Authority, and White Lake Community Library are related organizations which are excluded financial reporting entities because the City's accountability does not extend beyond appointments and annual contributions Audited financial statements are available from each entity

Government-Wide and Fund Financial Statements

The government-wide financial statements (i e , the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue 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 requirement of a particular function or segment.

City of Whitehall, Michigan

Notes to Basic Financial Statements

Taxes and other items not properly included among program revenues are reported instead as general revenues. The City does not allocate indirect costs.

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 and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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 as soon as they are both measurable and available. Revenues are considered to be available when they are 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

City of Whitehall, Michigan

Notes to Basic Financial Statements

Property taxes, income taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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.

Street Improvement Fund – This fund is used to improve the City’s infrastructure.

Tannery Development Construction Fund – This fund is used to improve the City’s waterfront.

The City reports the following three major proprietary funds:

Sewer Fund – This fund operates the City’s sewage pumping station, collection systems and pays for access to the county’s sewage treatment plant.

Water Fund – This fund operates the City’s water distribution system.

Marina Fund - This fund operates a municipal marina.

Additionally, the City reports the following fund types:

Pension Trust Fund – This fund accounts for the activities of the City’s employees retirement plan, which accumulates resources for pension benefit payments.

Internal Service Fund – This fund accounts for equipment management services provided to other funds of the government on a cost reimbursement basis.

City of Whitehall, Michigan

Notes to Basic Financial Statements

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Whitehall, Michigan

Notes to Basic Financial Statements

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition

The City has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the City to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

The component units' cash and investments are maintained within the City's investment pool. All investments are stated at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

City of Whitehall, Michigan

Notes to Basic Financial Statements

All trade and property tax receivables are shown net of allowance for uncollectibles.

The City bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each July 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the City to the County for collection. The County advances the City all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the City. The City recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 state taxable value for real/personal property of the City totaled approximately \$112,700,000 of which approximately \$45,700,000 was captured by the component units. The ad valorem taxes levied consisted of 12.7764 mills for the City's operating purposes. These amounts are recognized in the respective General Fund, TIFA, LDFA and Brownfield Redevelopment Authority.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

City of Whitehall, Michigan

Notes to Basic Financial Statements

Restricted Assets

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two 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.

The costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-40
Infrastructure	20-30
Land improvements	10-20
Equipment	5-10
Access rights	40

City of Whitehall, Michigan

Notes to Basic Financial Statements

Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service. Employees must use earned vacation time in the current year but can carry over a maximum of 20 days. Upon termination, employees are paid for unused vacation at their current rates. Sick leave is accumulated at the rate of one day per month of employment. Unused sick leave is accumulated up to 180 days for employees. Unused accumulated sick leave is paid to employees who resign or retire, limited to 75 days. All vacation and sick pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

City of Whitehall, Michigan

Notes to Basic Financial Statements

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 generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures

2. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets, and the permanent fund, which is not budgeted. All annual appropriations lapse at fiscal year end

The City follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first Monday of May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them
- b. Public hearings are conducted at the City Hall to obtain taxpayer comments
- c. Not later than the first Monday in June, the budget is legally enacted through passage of a resolution

City of Whitehall, Michigan

Notes to Basic Financial Statements

- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the City Council. All appropriations lapse at year end

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the fund level. The City Council made several supplemental budgetary appropriations throughout the year.

Fund Deficit

As of June 30, 2007, the City's TIFA had an undesignated fund deficit of \$321,752. In addition, the City's Brownfield Redevelopment Authority had an undesignated fund deficit of \$49,972. The deficits will be eliminated through future operations.

3. Cash and Investments

Deposits

State statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the State of Michigan that are also members of a federal or national insurance corporation.

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City does not have a deposit policy for custodial credit risk. At June 30, 2007, \$4,982,145 of the City's bank balances of \$5,382,145 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$4,982,145</u>
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City of Whitehall, Michigan

Notes to Basic Financial Statements

Investments

At June 30, 2007, the City had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity</u>
U S. Treasury Bill	\$ 32,991	7/5/2007
U S. Treasury Bill	49,389	10/4/2007
U S. Treasury Bill	39,719	11/15/2007
U S. Treasury Bill	39,503	2/15/2008
U S. Treasury Bill	24,531	8/15/2008
U S. Treasury Bill	39,091	10/15/2008
U S. Treasury Bill	49,848	12/31/2008
U S. Treasury Bill	49,977	5/15/2009
FNMA Disc NT	5,876	N/A
<u>Total</u>	<u>\$ 330,925</u>	

Interest Rate Risk

The City's investment policy requires investments to be diversified by specific maturity dates and by individual financial institutions of a specific class of securities as a means of managing its exposure to fair value losses arising from increasing interest rates and in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. All of the City's investments are held in the name of the City.

City of Whitehall, Michigan

Notes to Basic Financial Statements

Credit Risk

State statutes authorize the City to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, bankers acceptances and certificates of deposit issued or created by any state or national bank insured with the applicable federal agency, investment pools authorized by the Surplus Funds Investment Pool Act and mutual funds composed entirely of the above investments

The City's investment policy does not further limit its investment choices. At June 30, 2007, the City's investment in FNMA Disc NT was rated AAA by Standard & Poor's

Concentration of Credit Risk

The City's investment policy places no limit on the amount the City may invest in any one issuer

4. Restricted Assets

Restrictions are placed on assets by bond ordinance and City Council action. At June 30, 2007, restricted cash and investments in the enterprise funds are restricted as follows:

Business-Type Activities

Water Fund	
Bond and Interest Redemption Fund	\$ 11,822
Bond Reserve Fund	32,000
	<hr/>
	43,822
Sewer Fund	
Bond and Interest Redemption Fund	17,320
Bond Reserve Fund	45,000
	<hr/>
	62,320
	<hr/>
	\$ 106,142

City of Whitehall, Michigan

Notes to Basic Financial Statements

After meeting the operation and maintenance and bond and interest redemption requirements of the bond ordinances, all remaining revenues of the system are to be paid to the bond reserve accounts until a sum equal to the maximum annual debt service requirement on the bonds has been accumulated. These amounts were achieved by March 2007, as required. As of June 30, 2007, there was \$77,000 deposited into this account.

- 5. Capital Assets** Capital asset activity for the year ended June 30, 2007 was as follows:

Governmental Activities	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not depreciable:				
Land	\$ 930,278	\$ -	\$ -	\$ 930,278
Construction in progress	135,248	130,522	135,248	130,522
Total capital assets, not depreciable	1,065,526	130,522	135,248	1,060,800
Capital assets being depreciated:				
Infrastructure	9,242,171	828,780	248,031	9,822,920
Buildings and other improvements	1,511,205	-	-	1,511,205
Land improvements	1,026,229	-	-	1,026,229
Equipment	1,212,132	25,924	10,345	1,227,711
Total capital assets being depreciated	12,991,737	854,704	258,376	13,588,065
Less accumulated depreciation for:				
Infrastructure	4,172,298	415,076	188,660	4,398,714
Buildings and other improvements	727,096	37,903	-	764,999
Land improvements	768,344	30,910	-	799,254
Equipment	809,312	79,546	10,345	878,513
Total accumulated depreciation	6,477,050	563,435	199,005	6,841,480
Total capital assets being depreciated, net	6,514,687	291,269	59,371	6,746,585
Capital Assets, Net	\$ 7,580,213	\$ 421,791	\$ 194,619	\$ 7,807,385

City of Whitehall, Michigan

Notes to Basic Financial Statements

Business-Type Activities	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not depreciable:				
Land	\$ 349,643	\$ 103,454	\$ -	\$ 453,097
Construction in progress	678,853	-	385,723	293,130
Total capital assets, not depreciable	1,028,496	103,454	385,723	746,227
Capital assets being depreciated:				
Plants and systems	9,527,208	798,375	-	10,325,583
Buildings and improvements	815,983	161,102	-	977,085
Land improvements	523,536	-	-	523,536
Equipment	207,922	9,825	-	217,747
Total capital assets being depreciated	11,074,649	969,302	-	12,043,951
Less accumulated depreciation for:				
Plants and systems	2,449,717	249,711	-	2,699,428
Buildings and improvements	388,646	23,652	-	412,298
Land improvements	258,521	10,057	-	268,578
Equipment	141,061	18,331	-	159,392
Total accumulated depreciation	3,237,945	301,751	-	3,539,696
Total capital assets being depreciated, net	7,836,704	667,551	-	8,504,255
Capital Assets, Net	\$ 8,865,200	\$ 771,005	\$ 385,723	\$ 9,250,482

City of Whitehall, Michigan

Notes to Basic Financial Statements

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

Governmental activities:

General government	\$ 29,470
Public safety	86,386
Public works	381,645
Culture and recreation	1,807
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	64,127

\$ 563,435

Business type activities:

Sewer	\$ 86,503
Water	185,900
Marina	24,829
Playhouse	4,519

\$ 301,751

Component Units	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not depreciable				
Tax Increment Finance Authority				
Land	\$ 145,568	\$ 247,048	\$ -	\$ 392,616
Local Development Finance Authority				
Land	547,628	-	-	547,628
Capital Assets, Net	\$ 693,196	\$ 247,048	\$ -	\$ 940,244

City of Whitehall, Michigan

Notes to Basic Financial Statements

At June 30, 2007, the City's component units had entered into various agreements for construction projects. Below is a summary of those agreements:

Fund	Remaining
TIFA	\$ 56,494
TIFA	32,466
TIFA	26,305
	<u>\$ 115,265</u>

6. Access Rights

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Sewer Fund				
Access rights (40 years)	\$ 1,246,213	\$ -	\$ -	\$ 1,246,213
Less accumulated amortization	(699,175)	(36,654)	-	(735,829)
Access rights, net of accumulated amortization	\$ 547,038	\$ (36,654)	\$ -	\$ 510,384

City of Whitehall, Michigan

Notes to Basic Financial Statements

7. Bond Issuance Costs

Business-Type Activities	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Sewer Fund				
Issuance costs (9 years)	\$ 11,370	\$ -	\$ -	\$ 11,370
Issuance costs (15 years)	14,200	-	-	14,200
Water Fund				
Issuance costs (12 years)	138,718	-	-	138,718
Issuance costs (15 years)	9,992	-	-	9,992
Total bond issuance costs	174,280	-	-	174,280
Less amortization				
Sewer Fund				
Issuance costs (9 years)	11,370	-	-	11,370
Issuance costs (15 years)	5,680	947	-	6,627
Water Fund				
Issuance costs (12 years)	138,718	-	-	138,718
Issuance costs (15 years)	3,997	666	-	4,663
Total Bond Issuance Cost, Net of Accumulated Amortization	\$ 14,515	\$ (1,613)	\$ -	\$ 12,902

Amortization expense was charged to functions as follows:

Sewer	\$ 947
Water	666
	\$ 1,613

City of Whitehall, Michigan

Notes to Basic Financial Statements

Component Units	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
TIFA				
Issuance costs (10 years)	\$ -	\$ 18,297	\$ -	\$ 18,297
L DFA				
Issuance costs (10 years)	19,389	-	-	19,389
Total bond issuance costs	19,389	18,297	-	37,686
Less amortization				
TIFA				
Issuance costs (10 years)	-	1,830	-	1,830
L DFA				
Issuance costs (10 years)	5,817	1,939	-	7,756
	5,817	3,769	-	9,586
Total Bond Issuance Cost, Net of Accumulated Amortization	\$ 13,572	\$ 14,528	\$ -	\$ 28,100

Amortization expense was charged to functions as follows:

TIFA	\$ 1,830
L DFA	1,939
	\$ 3,769

8. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Unearned
Receivables	\$ 1,961
Total deferred/unearned revenue for governmental funds	\$ 1,961

City of Whitehall, Michigan

Notes to Basic Financial Statements

9. Interfund Receivables, Payables and Transfers

The composition of interfund balances, caused by normal operations, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water Fund	\$ 24,947
General Fund	Tax Collection Fund	170
Sewer Fund	Water Fund	2,157
Water Fund	Sewer Fund	1,577
Internal Service Fund	Water Fund	2,658
		\$ 31,509

Due to/from primary government and component units:

Primary government

General Fund - operation loan	\$ 50,000	\$ -
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Component Unit

Brownfield - operation loan	-	50,000
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	\$ 50,000	\$ 50,000
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Interfund transfers:

	Transfers in:			Total	Purpose
	Street Improvement Fund	Nonmajor Governmental Funds	Nonmajor Proprietary Funds		
Transfers out:					
General Fund	\$ 234,450	\$ 132,009	\$ 34,834	\$ 401,293	Public works
Street Improvement fund	-	16,985	-	16,985	Debt service
Nonmajor governmental funds	-	52,230	-	52,230	Public works/debt service
Total	\$ 234,450	\$ 201,224	\$ 34,834	\$ 470,508	

City of Whitehall, Michigan

Notes to Basic Financial Statements

10. Long-Term Debt The following is a summary of the long-term liabilities activity for the City for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due within one year
Governmental Activities					
General obligation bonds	\$ 365,000	\$ -	\$ 30,000	\$ 335,000	\$ 35,000
Installment purchase agreements	153,323	-	25,895	127,428	27,544
Brownfield redevelopment loan	-	250,000	-	250,000	-
Compensated absences	274,695	294	-	274,989	-
Governmental Activity Long-Term Liabilities	\$ 793,018	\$ 250,294	\$ 55,895	\$ 987,417	\$ 62,544
Business-Type Activities					
Revenue bonds	\$ 1,028,633	\$ -	\$ 136,791	\$ 891,842	\$ 136,211
Installment purchase bonds	5,333	-	5,333	-	-
Compensated absences	48,889	33	-	48,922	-
	\$ 1,082,855	\$ 33	\$ 142,124	\$ 940,764	\$ 136,211
Component Units					
TIFA (Limited tax development bonds)	\$ 445,000	\$ 735,000	\$ 140,000	\$ 1,040,000	\$ 150,000
LDFA (Limited tax development bonds)	565,000	-	65,000	500,000	65,000
	\$ 1,010,000	\$ 735,000	\$ 205,000	\$ 1,540,000	\$ 215,000

City of Whitehall, Michigan

Notes to Basic Financial Statements

Governmental Activities

General Obligation bonds

Michigan Department of Transportation loan in annual installments of \$35,000 to \$50,000 through April 2015; interest at rates varying from 5.25% to 5.55% \$ 335,000

Installment purchase agreements

Note payable to bank due in monthly installments of \$658 including interest at 6.61% through September 2009 17,662

Note payable to bank due in monthly installments through March 2012 of \$2,215, including interest at 5.95% 109,766

Brownfield redevelopment loan

Note payable to the Michigan Department of Environmental Quality due in annual installments of \$81,639 beginning March 2010 with payments through March 2019, including interest at 2.0% 250,000

712,428

Compensated absences

274,989

\$ 987,417

Business-Type Activities

Revenue bonds

Muskegon County Wastewater Management System No. 1 refunding Bonds of 2002 due in annual installments of \$60,631 to \$61,211 through July 2008; interest at 5% \$ 121,842

Water Supply System Revenue bonds of 2000 due in annual installments of \$30,000 to \$50,000 through April 2015, interest at rates varying from 5.25% to 5.5% 320,000

Sanitary Sewer System Revenue Bonds of 2000 due in annual installments of \$45,000 to \$70,000 through April 2015; interest at rates varying from 5.25% to 5.55% 450,000

891,842

Compensated absences

48,922

\$ 940,764

City of Whitehall, Michigan

Notes to Basic Financial Statements

Component Units

General Obligation bonds

Tax Increment Financing Authority \$800,000 Limited Tax Development Bonds of 2001 due in annual installments of \$85,000 to \$95,000 through February 2011; interest at rates varying from 4.3% to 4.6%	\$ 365,000
Tax Increment Financing Authority \$735,000 Limited Tax Development Bonds of 2006 due in annual installments of \$65,000 to \$95,000 through February 2016; interest at rates varying from 3.6% to 4.0%	675,000
Local Development Finance Authority \$695,000 Tax Increment Development Bonds of 2004 due in annual installments of \$65,000 to \$80,000 through February 2014; interest at rates varying from 2.8% to 3.95%	500,000

\$ 1,540,000

The general obligation bonds are backed by the full faith and credit of the City.

The 2002 County of Muskegon wastewater contracts payable represent agreements with Muskegon County relating to the construction of sewage treatment facilities. To construct these facilities, the County issued bonds which local municipalities are obligated to repay. The City has recorded the liability for its portion of the County bonds which are to be repaid by the access rights fee. Access rights are also recorded and are amortized over 10 years. The contractual obligation is secured by the full faith and credit of the City. Current debt service requirements are funded by sewer revenues.

The 2002 County of Muskegon wastewater contracts payable and the 2000 Water Supply revenue bonds are payable solely from the net revenues of the sewer and water supply directing the City to create funds restricted for use in the construction project and in debt service. Assets so restricted are detailed in Note 4.

The City was in compliance in all material respects with all the revenue bond ordinances at June 30, 2007.

City of Whitehall, Michigan

Notes to Basic Financial Statements

Annual debt service requirements to maturity for debt outstanding as of June 30, 2007 follows:

	Governmental Activities		Business Type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 62,544	\$ 25,315	\$ 136,211	\$ 46,680	\$ 215,000	\$ 59,890
2009	64,277	21,745	145,631	39,697	220,000	52,075
2010	93,814	18,117	85,000	33,718	235,000	43,728
2011	87,459	18,960	95,000	29,213	235,000	34,553
2012	87,740	14,893	95,000	24,110	150,000	24,833
2013-2017	263,617	29,366	335,000	39,400	485,000	43,840
2018-2019	52,977	1,595	-	-	-	-
	\$ 712,428	\$ 129,991	\$ 891,842	\$ 212,818	\$ 1,540,000	\$ 258,919

11. Other Information Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

City of Whitehall, Michigan

Notes to Basic Financial Statements

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Other Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") issued its Statement 45 - "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions." Other post-employment benefits ("OPEB") include post-employment healthcare insurance as well as other forms of post-employment benefits (for example, life insurance) when provided separately from a pension plan. GASB Statement 45 establishes standards for the measurement, recognition and display of OPEB expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

The City currently provides post-retirement health care to certain full-time employees after they reach age 55 and have 15 years of service or age 60 and have 10 years of service. The City pays 100 percent of the non-union employee's premium and 80 percent of the union employee's premium after 20 years of employment. Similar to other governmental units, the City has funded its OPEB program on a pay-as-you-go basis, but will be required to begin reporting OPEB on an actuarial basis in its fiscal year beginning July 1, 2009.

As of year end, there was one retired employee receiving benefits. For the year ended June 30, 2007, the City's post-retirement health care cost under the Plan was approximately \$6,825.

City of Whitehall, Michigan

Notes to Basic Financial Statements

Jointly Governed Organization

The City, in conjunction with other governmental entities, created the White Lake Solid Waste Authority (WLSWA) to operate a solid waste transfer station, the White Lake Ambulance Authority (WLAA) to provide ambulance services, the White Lake Fire Authority (WLFA) to provide fire protection and rescue services, and the White Lake Community Library (WLCL) to provide an area library

The boards of the Authorities are comprised of one or two members from each participating entity. The WLSWA board annually assesses participating entities in projected amounts required to subsidize the Authorities' annual operations. There was no assessment for WLSWA for the year ended June 30, 2007. WLFA, WLAA and WLCL are funded through a property tax levy. Audited financial statements are available from the Authorities.

12. Employee Retirement Systems and Pension Plans

Pension Plan

Plan Description The City is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS), administered by the State of Michigan. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; that authority rests with the City. A copy of the complete financial report and required supplemental information can be obtained by writing to:

City of Whitehall
401 Colby Street
Whitehall, MI 49461

City of Whitehall, Michigan

Notes to Basic Financial Statements

Funding Policy. City employees are required to contribute 3 to 5 percent to the Plan depending on employee contract. The City is required to contribute at an actuarially-determined rate depending upon position from 5.43 to 15.05 percent of covered wages.

Annual Pension Cost. For the year ended June 30, 2007, the City's annual pension cost was approximately \$113,000 which the City contributed. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 0 percent to 4.5 percent, and (c) 4.5 percent per year compounded annually attributable to inflation. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Three year trend information

Year Ending	Approximate Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
6/30/05	\$ 73,000	100%	\$ -
6/30/06	87,000	100%	-
6/30/07	113,000	100%	-

Required Supplementary Information Schedule of Funding Progress (Dollar amounts in thousands)

Actuarial Valuation as of December 31,	2004	2005	2006
Actuarial value of assets	\$ 3,054	\$ 3,188	\$ 3,394
Actuarial accrued liability (AAL) Entry Age	3,471	3,714	3,943
Unfunded AAL (UAAL)	417	526	549
Funded ratio	88%	86%	86%
Covered payroll	\$ 1,066	\$ 1,130	\$ 1,145
UAAL as a percentage of covered payroll	39.1%	46.5%	47.9%

City of Whitehall, Michigan

Notes to Basic Financial Statements

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time City employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

13. Economic Dependency

State of Michigan shared revenues represent 16 percent of General Fund revenues.

The City has a significant economic dependence on a local corporation that is a major employer, taxpayer, and user of water and sewer services. The following is the percentage of taxes and utilities paid by the corporation.

Real and personal property taxes	29%
Water and sewer accounts receivable	61%
Water and sewer billings	58%

14. Reconciliation of Capital Outlay

Capital outlay expenditures for governmental funds differ from amounts capitalized. The differences are detailed as follows:

Total capital purchases as reported in the governmental funds	\$1,351,750
Adjustments	
Expenditures under capitalization limit	(9,107)
Expenditures reimbursed and capitalized in other funds	(353,018)
Capital projects not City owned	(290,098)
Donated from TIFA	130,522
<hr/> Net Assets capitalized	<hr/> \$ 830,049

City of Whitehall, Michigan

Notes to Basic Financial Statements

15. Excess of Expenditures Over Appropriations in Budgetary Funds

During the year ended June 30, 2007, the City incurred expenditures in various funds which were in excess of amounts appropriated, as follows:

	Appropriation	Actual Expenditures
Sidewalk Improvement Fund	40,729	41,229

All expenditures over appropriations as identified above have been paid by excess revenues or by reduced expenditures in other activities

16. Subsequent Event

During July and August 2007, the City received additional proceeds on the governmental activities Brownfield redevelopment loan totaling \$498,000

Required Supplemental Material



<i>Year ended June 30, 2007</i>	General Fund		
	Original Budget	Final Budget	Actual
Revenues			
Property taxes	\$ 1,105,400	\$ 1,099,150	\$ 1,109,066
Licenses and permits	13,900	13,900	14,321
Intergovernmental revenues	564,750	661,240	657,895
Charges for services	53,270	54,933	57,418
Fines and forfeitures	7,600	9,600	11,313
Reimbursements	-	-	-
Investment earnings	31,000	43,100	65,583
Other	1,000	1,000	2,840
Total Revenues	1,776,920	1,882,923	1,918,436
Expenditures			
Current			
General government	506,915	491,425	478,664
Public safety	779,350	778,350	779,725
Public works	110,970	116,090	117,094
Health and sanitation	18,635	10,935	7,910
Community and economic development	24,015	21,065	20,033
Culture and recreation	141,420	140,920	143,988
Other governmental functions	18,670	8,270	8,196
Debt service			
Principal	6,554	6,554	6,473
Interest and fees	1,341	1,341	1,421
Capital outlay	58,225	14,586	15,102
Total Expenditures	1,666,095	1,589,536	1,578,606
Excess of Revenues Over (Under) Expenditures	110,825	293,387	339,830
Other Financing Sources (Uses)			
Proceeds from sale of fixed assets	-	-	226
Transfers in	21,300	-	-
Transfers (out)	(175,600)	(401,293)	(401,293)
Total Other Financing Sources (Uses)	(154,300)	(401,293)	(401,067)
Revenues and Other Sources Under Expenditures and Other Uses	(43,475)	(107,906)	(61,237)
Fund Balance, at beginning of year	788,964	788,964	788,964
Fund Balance, at end of year	\$ 745,489	\$ 681,058	\$ 727,727

City of Whitehall, Michigan

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Major Government Funds

Street Improvement Fund		
Original Budget	Final Budget	Actual
\$ -	\$ -	\$ -
-	-	-
-	281,000	281,250
-	-	-
-	-	-
226,420	110,798	110,798
3,500	3,500	2,621
-	-	304
229,920	395,298	394,973
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
890,120	1,005,830	1,005,321
890,120	1,005,830	1,005,321
(660,200)	(610,532)	(610,348)
-	-	-
75,000	234,450	234,450
(16,985)	(16,985)	(16,985)
58,015	217,465	217,465
(602,185)	(393,067)	(392,883)
393,098	393,098	393,098
\$ (209,087)	\$ 31	\$ 215

City of Whitehall, Michigan

Required Supplementary Information for Pension Plans - GASB 27

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
December 31,						
2004	\$ 3,054	\$ 3,471	\$ 417	88%	\$ 1,066	39.1%
2005	3,188	3,714	526	86%	1,130	46.5%
2006	3,394	3,943	549	86%	1,145	47.9%

<i>June 30, 2007</i>	Total Other Governmental Funds	Leaf Removal and Disposal	Special Major Street
Assets			
Cash and investments	\$797,958	\$ 8,089	\$199,382
Interest receivable	1,658	27	779
Due from other governmental units	42,244	-	31,583
Total Assets	\$841,860	\$ 8,116	\$231,744
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 540	\$ -	\$ 540
Accrued liabilities	2,915	-	1,502
Deferred revenue	675	-	-
Total Liabilities	4,130	-	2,042
Fund balances			
Reserved for capital projects	78,226	-	-
Reserved for perpetual care	393,169	-	-
Unreserved	366,335	8,116	229,702
Total Fund Balances	837,730	8,116	229,702
Total Liabilities and Fund Balances	\$841,860	\$ 8,116	\$231,744

City of Whitehall, Michigan

Combining Balance Sheet - Non-Major Governmental Funds

Revenue Funds		
Local Street	Building Inspection	Sidewalk Improvement
\$101,019	\$ 17,452	\$ 452
281	63	2
10,661	-	-
\$111,961	\$ 17,515	\$ 454
\$ -	\$ -	\$ -
898	515	-
-	-	-
898	515	-
-	-	-
-	-	-
111,063	17,000	454
111,063	17,000	454
\$111,961	\$ 17,515	\$ 454

This statement covers more than one page.

<i>June 30, 2007</i>	Capital Projects Funds	
	Capital Improvements	Public Improvement
Assets		
Cash and investments	\$ 76,036	\$ 2,577
Interest receivable	273	15
Due from other governmental units	-	-
Total Assets	\$ 76,309	\$ 2,592
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ -
Accrued liabilities	-	-
Deferred revenue	-	675
Total Liabilities	-	675
Fund balances		
Reserved for capital projects	76,309	1,917
Reserved for perpetual care	-	-
Unreserved	-	-
Total Fund Balances	76,309	1,917
Total Liabilities and Fund Balances	\$ 76,309	\$ 2,592

City of Whitehall, Michigan

Combining Balance Sheet - Non-Major Governmental Funds



Debt Service Fund	Permanent Fund
2000 Michigan Department of Transportation	Cemetery Care Fund
\$ -	\$392,951
-	218
-	-
\$ -	\$393,169
\$ -	\$ -
-	-
-	-
-	-
-	393,169
-	-
-	393,169
\$ -	\$393,169

<i>Year ended June 30, 2007</i>	Total Other Governmental Funds	Special	
		Leaf Removal and Disposal	Major Street
Revenues			
Intergovernmental revenues			
State	\$266,517	\$ -	\$189,894
Charges for services	31,847	-	-
Investment earnings	33,170	404	10,389
Other	10,014	-	1,914
Total Revenues	341,548	404	202,197
Expenditures			
Current			
Public safety	36,446	-	-
Public works	343,539	74,396	131,572
Debt service			
Principal	49,422	-	-
Interest and fees	27,118	-	-
Capital outlay	41,229	-	-
Total Expenditures	497,754	74,396	131,572
Excess of Revenues Over (Under)			
Expenditures	(156,206)	(73,992)	70,625
Other Financing Sources (Uses)			
Operating transfers in	201,224	84,500	-
Operating transfers out	(52,230)	-	(40,741)
Total Other Financing Sources (Uses)	148,994	84,500	(40,741)
Net Change in Fund Balance	(7,212)	10,508	29,884
Fund Balance (Deficit), at beginning of year	844,942	(2,392)	199,818
Fund Balance, at end of year	\$837,730	\$ 8,116	\$229,702

City of Whitehall, Michigan

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds

Revenue Funds

Local Street	Building Inspection	Sidewalk Improvement
\$ 76,623	\$ -	\$ -
-	22,147	-
4,764	1,149	555
-	-	-
81,387	23,296	555
-	36,446	-
137,571	-	-
-	-	-
-	-	-
-	-	41,229
137,571	36,446	41,229
(56,184)	(13,150)	(40,674)
42,460	-	11,309
(11,489)	-	-
30,971	-	11,309
(25,213)	(13,150)	(29,365)
136,276	30,150	29,819
\$111,063	\$17,000	\$ 454

This statement covers more than one page.

<i>Year ended June 30, 2007</i>	Capital Projects Funds	
	Capital Improvements	Public Improvement
Revenues		
Intergovernmental revenues		
State	\$ -	\$ -
Charges for services	-	-
Investment earnings	3,644	312
Other	-	8,100
Total Revenues	3,644	8,412
Expenditures		
Current		
Public safety	-	-
Public works	-	-
Debt service		
Principal	-	19,422
Interest and fees	-	7,163
Capital outlay	-	-
Total Expenditures	-	26,585
Excess of Revenues Over (Under)		
Expenditures	3,644	(18,173)
Other Financing Sources (Uses)		
Operating transfers in	-	13,000
Operating transfers out	-	-
Total Other Financing Sources (Uses)	-	13,000
Net Change in Fund Balance	3,644	(5,173)
Fund Balance (Deficit), at beginning of year	72,665	7,090
Fund Balance, at end of year	\$ 76,309	\$ 1,917

City of Whitehall, Michigan

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds

<u>Debt Service Fund</u>	<u>Permanent Fund</u>
2000 Michigan Department of Transportation	Cemetery Care Fund
\$ -	\$ -
-	9,700
-	11,953
-	-
-	21,653
-	-
-	-
30,000	-
19,955	-
-	-
49,955	-
(49,955)	21,653
49,955	-
-	-
49,955	-
-	21,653
-	371,516
\$ -	\$ 393,169

<i>Ten Years Ended June 30,</i>	2007	2006	2005	2004
Tax levy and millages				
Estimated population	2,884	2,884	2,884	2,884
State equalized valuation				
City total	\$112,640,629	\$107,653,140	\$104,782,541	\$101,095,154
Per resident	39,057	37,328	36,332	35,054
Tax levy (mills)				
General fund	12.776	12.779	13.219	13.219
Tax levy – amounts				
Total levy	\$ 1,439,373	\$ 1,375,699	\$ 1,385,120	\$ 1,336,377
Per resident	499.09	477.01	480.28	463.38
State shared revenues				
Total amount	\$ 1,078,277	\$ 619,969	\$ 579,834	\$ 603,929
Per resident	373.88	214.97	201.06	209.41
Federal shared revenues				
Total amount	\$ 2,208	\$ 3,152	\$ 12,368	\$ 225,407
Per resident	0.77	1.09	4.29	78.16
Total revenue – General Fund				
Amount	\$ 1,918,662	\$ 1,719,342	\$ 1,879,255	\$ 1,778,162
Per resident	665.28	596.17	651.62	616.56
Total expenditures – General Fund				
Amount	\$ 1,979,899	\$ 1,647,346	\$ 2,054,217	\$ 1,712,443
Per resident	686.51	571.20	712.28	593.77

2006 Current real and personal property taxes were assessed and collected as detailed below:

Unit	Levy	Collected	Delinquent	Percent Collected
City	\$ 1,439,373	\$ 1,439,163	\$ 210	
School	3,227,980	2,971,933	256,047	
County	1,009,360	952,527	56,833	
Library	76,608	71,491	5,117	
Fire Authority	162,274	151,435	10,839	
Ambulance Authority	70,412	65,709	4,703	
	\$ 5,986,007	\$ 5,652,258	\$ 333,749	94.4%

City of Whitehall, Michigan

Schedule of Operating Statistics (Unaudited)

2003	2002	2001	2000	1999	1998
2,884	2,884	2,884	3,027	3,027	3,027
\$99,941,443	\$93,307,236	\$ 87,605,217	\$86,596,278	\$82,616,153	\$77,758,250
34,654	32,007	30,376	28,608	27,293	25,688
13 219	13 219	13 219	13 358	14 018	13 500
\$ 1,321,126	\$ 1,220,202	\$ 1,158,046	\$ 1,156,753	\$ 1,158,113	\$ 1,049,737
458 09	423 09	401 54	382 15	382 59	346.79
\$ 607,093	\$ 640,490	\$ 682,673	\$ 686,772	\$ 662,591	\$ 657,322
210 50	222 08	236 71	226 89	218 89	217 15
\$ 6,250	\$ 25,517	\$ 638,407	\$ 2,049,179	\$ 164,643	\$ 35,000
2 17	8 84	221 36	676 97	54 39	11 56
\$ 1,766,576	\$ 1,793,793	\$ 1,647,413	\$ 1,580,737	\$ 1,509,145	\$ 1,348,564
612 54	621 98	571 22	522 22	498 56	445 51
\$ 1,845,898	\$ 1,727,770	\$ 1,474,719	\$ 1,461,157	\$ 1,324,965	\$ 1,215,936
640.05	599.08	511 34	482 71	437.71	401 70

City of Whitehall, Michigan

Comparative Operating Statistics Water and Sewer System (Unaudited)

	2007	2006	2005	2004	2003
Population served	2,884	2,884	2,884	2,884	2,884
Average number of meters in service	1,435	1,413	1,391	1,274	1,246
M gallons pumped to main	360,353	381,490	388,872	390,293	389,188
M gallons sold	359,901	350,225	312,959	364,611	365,705
M gallons water line loss	9,549	31,265	75,913	25,682	23,483
Loss percent to total pumpage	2.6%	8.2%	19.5%	6.6%	6.0%
Revenues from sales					
Water	\$ 730,956	\$673,300	\$744,115	\$692,830	\$713,959
Sewer	878,236	725,728	753,835	724,480	716,075
Average number of customers	1,251	1,290	1,311	1,150	1,143

City of Whitehall, Michigan



Management Letter
Year ended June 30, 2007

Honorable Mayor and
Members of the City Council
City of Whitehall, Michigan

During the course of our audit of the financial statements of the City of Whitehall, Michigan as of June 30, 2007 and for the year then ended, we observed the City's significant accounting policies and procedures and certain administrative, and financial practices

As a result of our observations, we have prepared for management's review and evaluation, the enclosed memorandum containing suggestions regarding internal control, financial and administrative practices of the City of Whitehall, Michigan.

Matters which related to internal accounting control were not of a magnitude that would effect the presentation of the financial statements.

We appreciate the cooperation from management and the staff of the City of Whitehall, Michigan that our personnel received during the audit.

Pridnia Lapres, PLLC

October 2, 2007

City of Whitehall, Michigan

Current Year Comments

New Pronouncements

There are several new pronouncements that have been issued by the Governmental Accounting Standards Board (GASB) that will affect future comprehensive annual financial reports issued by the City. A brief summary of these new pronouncements is listed below:

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* addresses how the City should account for and report costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively these benefits are referred to as other postemployment benefits (OPEB). It will require the City to account for OPEB essentially the same as you do for pensions. This will require an actuarial valuation for the applicable OPEB plans. This pronouncement will be effective for the City for the year ending June 30, 2010.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* discusses how to identify and report pollution remediation obligations. The pronouncement identifies five obligating events which could trigger recording a liability and will be effective for the year ending June 30, 2009.

GASB Statement No. 50, *Pension Disclosures* amends Statements No. 25 and 27 to more closely align the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) by requiring disclosure of the funded status of the plan as of the most recent actuarial valuation date in the footnotes to financial statements. This pronouncement will be effective for the year ending June 30, 2008.

GASB Invitation to Comment, *Fund Balance Reporting* attempts to clarify the availability of resources in funds other than the General Fund and define what is meant by "legally restricted"

City of Whitehall, Michigan

Current Year Comments

There are several new pronouncements issued by the American Institute of Certified Public Accountants (AICPA)

The AICPA has issued eight statements commonly referred to as the *Risk Assessment Standards* to improve the quality and effectiveness of audits. The new standards will result in an overall increased work effort by the auditors as they require auditors to obtain a more in-depth understanding of the City's operations and control environment and a more rigorous assessment of the risk of material misstatement of the financial statements. These standards will be effective for the year ending June 30, 2008

Recommendation

Review the new pronouncements to determine changes necessary to ensure that the City is in compliance with applicable financial statement and note disclosures