WHITE PIGEON SANITARY SYSTEM
WHITE PIGEON, MICHIGAN

FINANCIAL STATEMENTS

DECEMBER 31, 2006

Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

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

Local Unit of Government Type	Local Unit Name	County
☐County ☐City ☐Twp ☐Village ☒Other	WHITE PIGEON SANITARY SYSTEM	ST JOSEPH

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
12/31/06	1/24/06	3/27/07

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☐	NO REPORTABLE CONDITIONS
Other (Describe)	☐	NONE REQUIRED

Certified Public Accountant (Firm Name)	Telephone Number
NORMAN & PAULSEN PC	269-273-8641

Street Address	City	State	Zip
123 N MAIN ST	THREE RIVERS	MI	49093

Authorizing CPA Signature	Printed Name	License Number
C.P.A.	RICK STRAWSER CPA	16951

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Norman & Paulsen, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities of the White Pigeon Sanitary System, White Pigeon, Michigan as of and for the year ended December 31, 2006, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the White Pigeon Sanitary System, White Pigeon, Michigan as of December 31, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis beginning on page iii through vii is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Norman & Paulsen PC

Norman & Paulsen, P.C.

January 24, 2007
Three Rivers, Michigan

White Pigeon Sanitary System
Management's Discussion and Analysis
For the Year Ended December 31, 2006

As management of the White Pigeon Sanitary System, we offer readers of the System's financial statements this narrative overview and analysis of the financial activities of the System for the fiscal year ended December 31, 2006. The System implemented *Governmental Accounting Standards Board Statement 34: Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* for the first time this year.

Financial Highlights

- The assets of the System exceeded its liabilities at December 31, 2006 by $6,656,748. Of this amount unrestricted net assets of $1,488,176 may be used to meet the government's ongoing obligations to citizens and creditors.

- Total net assets decreased by $244,946.

- The System's total debt obligation is $885,000. This is a decrease of $180,000 from the prior year.

Overview of Financial Statements

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

(1) Government-Wide Financial Statements

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

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

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

(2) Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The System, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The System's maintains one fund categorized as a proprietary fund.

(2a) Proprietary Funds

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

(3) Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are found on pages 8 – 16.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information on pages 17 - 22. This section includes budgetary comparisons for the proprietary fund.

Governmental-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At December 31, 2006, the System's assets exceeded liabilities by $6,656,748. By far the largest portion of the System's net assets (74.5%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets are reported net of related debt, it should be noted that the resources needed to repay the remaining debt of capital assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

WHITE PIGEON SANITARY SYSTEM'S NET ASSETS

	Business-Type Activities 2005	2006
Current and other assets	$1,866,948	$1,791,840
Capital assets	6,118,106	5,842,109
Total Assets	$7,985,054	$7,633,493
Current liabilities	$ 128,475	$ 201,745
Long-term liabilities	955,000	775,000
Total Liabilities	$1,083,475	$ 976,745
Net Assets:		
Invested in capital assets, net of related debt	$5,053,106	$4,957,109
Restricted for debt service	212,908	211,463
Unrestricted	1,635,565	1,488,176
Total Net Assets	$6,901,579	$6,656,748

The unrestricted balance of net assets $1,488,176 may be used to meet the System's ongoing obligations to customers and creditors.

Analysis of the System's Operations

The following table provides a summary of the System's operations for the year ended December 31, 2006.

SYSTEM'S CHANGES IN NET ASSETS

	Business-Type Activities 2005	2006
Revenues:		
Program revenues:		
Charges for services	$ 527,904	$ 545,883
General revenues:		
Unrestricted investment earnings	52,538	16,005
Total revenues	580,442	561,888
Expenses:		
Public works	704,548	806,834
Increase/ (Decrease) in net assets	(121,127)	(244,946)
Net assets - beginning	7,022,706	6,901,694
Net assets – ending	$6,901,579	$6,656,748

Business-type Activities

Business-type activities decreased the System's net assets by $244,946 accounting for a 3.5% decline in the government's net assets. This decrease was primarily due to depreciation charges to expenditures by the Treatment Plant.

Financial Analysis of the Government's Funds

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

Proprietary Funds

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

Unrestricted nets assets of the Sewer Operation and Maintenance fund declined by $147,389 to $1,488,176,565 during 2006. Factors concerning the finances of these funds have already been addressed in the discussion of the System's business-type of activities.

Capital Assets

The System's investment in capital assets for the year ended December 31, 2006 amounts to $5,842,109, net of accumulated depreciation. The investment in capital assets includes sewer system improvements and equipment within the Village and Township.

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

Long-term Debt

At the end of the fiscal year, the System had $885,000 in outstanding general obligation bonds, secured by specific revenue sources. These bonds relate to improvements to the sewer plant and collection system improvements.

Economic Factors and Next Year's Budgets and Rates

The White Pigeon Sanitary System Board has shown fiscal responsibility in its planning for budget and spending practices. Monthly reports of bills for the previous month are submitted to the Council for their approval, additionally, a quarterly financial budget report is provided to Council. Budgets for the 2007 year were done on the following assumptions.

- Revenues remain constant and expenses will increase by the rate of inflation.

Requests for Information

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

WHITE PIGEON SANITARY SYSTEM

STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	Business -Type Activities
ASSETS	
Cash and cash equivalents (Note 3)	$ 630,161
Certificates of deposit	135,981
Investments, U.S. treasury securities	407,000
Accounts receivables, net (Note 4)	75,403
Sewer assessments receivable, net	306,668
Interest receivable	-
Prepaid expenses	16,154
Bond loan fees	8,554
Restricted cash and investments(Note 5)	211,463
Capital assets - net	5,842,109
Total Assets	$ 7,633,493
LIABILITIES	
Accounts payable	$ 79,945
Accrued payroll and other liabilities	11,800
Noncurrent liabilities	
Due within one year	110,000
Due in more than one year	775,000
Total Liabilities	$ 976,745
NET ASSETS	
Invested in capital assets	
Net of related debt	$ 4,957,109
Restricted for	
Debt service	211,463
Unrestricted	1,488,176
Total Net Assets	$ 6,656,748

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets Business - Type Activities
Business - Type Activities			
Administration	$ 103,444	$ 111,524	$ 8,080
Collection system	172,934	103,372	(69,562)
Treatment plant	481,033	244,760	(236,273)
Interest on long-term debt	46,404	86,227	39,823
Bond discount	3,019		(3,019)
Total Business - Type Activities	$ 806,834	$ 545,883	(260,951)
General Revenues			
Unrestricted investment earnings			16,005
Gain on disposal of fixed assets			-
Miscellaneous revenues			-
Total General Revenues			16,005
Change in Net Assets			(244,946)
Net Assets - Beginning of Year			6,901,694
Net Assets - End of Year			$ 6,656,748

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM

STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2006

	Business - Type Activities Sanitary System
ASSETS	
Current assets	
Cash and cash equivalents	$ 630,161
Certificates of deposit	135,981
Investments, U.S. treasury securities	407,000
Receivables, net	75,403
Sewer assessments receivable, net	34,156
Interest receivable	-
Prepaid expense	16,154
Total current assets	1,298,855
Noncurrent assets	
Restricted cash and investments	211,463
Sewer assessments receivable, net	272,512
Bond loan fees	8,554
Capital assets, net	5,842,109
Total noncurrent assets	6,334,638
Total Assets	$ 7,633,493
LIABILITIES	
Current liabilities	
Accounts payable	$ 79,945
Accrued payroll and other liabilities	11,800
Current portion of noncurrent liabilities	110,000
Total current liabilities	201,745
Noncurrent liabilities	
Bonds, notes and loans payable	775,000
Total Liabilities	$ 976,745

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM

STATEMENT OF NET ASSETS (CONTINUED)
PROPRIETARY FUND
DECEMBER 31, 2006

	Business - Type Activities
	Sanitary System
NET ASSETS	
Invested in capital assets -	
Net of related debt	4,957,109
Restricted for	
Debt service	211,463
Unrestricted	1,488,176
Total Net Assets	$ 6,656,748

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Business - Type Activities
	Sanitary System
Operating revenues	
Sewer service fees	$ 489,246
Sewer connection fees	6,200
Penalties	5,470
Permits	115
Miscellaneous	-
Total operating revenues	501,031
Operating expenses	
Administration	103,444
Collection system	172,934
Treatment plant	481,033
Total operating expenses	757,411
Operating income (loss)	(256,380)
Nonoperating revenues (expenses)	
Interest revenue	60,972
Interest expense	(46,404)
Sale of fixed assest	-
Bond loan program expense	(3,019)
Total nonoperating revenues (expenses)	11,549
Change in net assets	(244,831)
Total net assets - beginning of year	6,901,579
Total net assets - end of year	$ 6,656,748

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Business - Type Activities Sanitary System
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 506,959
Payments to suppliers	(178,865)
Payments to employees	(225,597)
Net cash provided (used) by operating activities	102,497
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(2,415)
Proceeds from sale of assets	-
Principal paid on bonds	(110,000)
Interest paid on bonds	(52,700)
Net cash provided (used) by capital and related financing activities	(165,115)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of US Treasury Securities	-
Increase in monies held in certificate of deposits	371,774
Decrease in restricted cash	(1,445)
Interest received	56,209
Net cash provided by investing activities	426,538
Net increase (decrease) in cash and cash equivalents	363,920
Balances - beginning of year	266,241
Balances - end of year	$ 630,161

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Business - Type Activities Sanitary System
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	$ (256,380)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	278,413
(Increase) decrease in assets	
Receivables	(1,127)
Sewer assessments receivable	4,563
Prepaid expenses	(1,005)
Interest receivable	4,763
Increase (decrease) in liabilities	
Accounts payables	74,536
Accrued payroll and other liablilities	(1,266)
Net cash provided by operating activities	$ 102,497

See accompanying notes to financial statements

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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

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

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both 'measurable and available'. Revenue is considered to be 'available' if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be 'available' if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

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

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

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

The System has neither of these funds to report on.

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

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

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

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

	Budget	Appropriation
Village Collection System	$15,630	$53,937
Township Collection System	$49,595	$89,273
Village Annex Collection System	$5,455	$10,324

NOTE 3 DEPOSITS AND INVESTMENTS

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

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

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

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

	Business Type Activities
Cash and cash equivalents	$ 630,161
Cash – restricted	211,463
Certificates of deposit	135,981
U.S. Treasury Securities	407,000
Total	$1,384,605

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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

The bank balance of the System's deposits is $977,605 of which $500,000 is covered by federal depository insurance and none is collateralized by U.S. Treasury securities held by the pledging financial institution's trust department in the System's name. All of the System's demand deposits and certificates of deposit have a fair market value that is equal to their carrying value The System holds $407,000 of U.S. Treasury Securities, due December 31, 2006, that are recorded on the books at their fair value of $407,000.

NOTE 4 RECEIVABLES

Accounts receivable are summarized as follows:	2006
Village	$22,039
Township	12,802
Mottville	244
Village Annex	2,937
Fish Lake	4,184
Lagrange County, Indiana	7,370
Miscellaneous	1,650
Delinquent/bankruptcy	24,177
Total accounts receivable	$75,403

Sewer Assessments Receivable

Customers incurring the initial connection fees had the option of financing the fees over 38 years at an annual interest rate of 6%. At December 31, 2006 the current and long-term portions of the sewer assessment receivable are as follows:

	Beginning Balance	Additions/ Reductions	Receipts	Ending Balance	Due Within One Year	Long Term
Village	$ 30,109	$ -	$ 3,860	$ 26,249	$ 2,576	$ 23,673
Township	63,713	-	4,721	58,992	5,803	53,189
Village Annex	128,542	-	15,137	113,404	12,493	100,911
Fish Lake	134,674	-	26,651	108,023	13,284	94,739
Total	$357,038	$ -	$50,369	$306,668	$34,156	$272,512

NOTE 5 RESTRICTED ASSETS

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

Bond Redemption Reserves	2006
Bond Reserve	$185,500
Bond and Interest Redemption	25,963
Total bond reserves	$211,463

NOTE 6 CAPITAL ASSETS

The following summarizes the changes in capital assets for the fiscal year ended December 31, 2006:

Business - Type Activities

	Balance December 31, 2005	Increases	Decreases	Balance December 31, 2006
Capital assets being depreciated:				
Land improvements	$ 3,322	$ -	$ -	$ 3,322
Buildings & improvements	130,332	-	-	130,332
Sewer projects	10,865,159	-	-	10,865,159
Machinery & equipment	92,289	-	-	92,289
Office equipment	23,983	2,416	-	26,399
Computer software	12,444	-	-	12,444
Subtotal	11,127,530	2,415		11,129,945
Less Accumulated depreciation for:				
Land improvements	793	134	-	927
Buildings & improvements	21,384	3,241	-	24,625
Sewer projects	4,914,204	263,420	-	5,177,624
Machinery & equipment	51,305	7,218	-	58,523
Office equipment	16,597	2,622	-	19,219
Computer software	5,141	1,777	-	6,918
Subtotal	5,009,424	278,412	-	5,287,836
Business – Type Activities Total Capital Assets- Net of depreciation	$ 6,118,106	($275,997)	$ -	$5,842,109

Depreciation expense for 2006 was $278,412.

NOTE 7 PENSION PLAN

The System maintains a deferred contribution plan that covers all employees starting on their first day of employment who have reached the age of 18. Pension contributions are paid directly to the employees' individual retirement accounts. The employer contribution is 5% of eligible compensation. Employees may not contribute. For the year ended December 31, 2006, the employer contribution was $3,859.

NOTE 8 LONG-TERM DEBT

Bonds Payable – Village of White Pigeon

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

NOTE 8 LONG-TERM DEBT (CONTINUED)

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

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

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

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

Bond Payable – Sewer Extension

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

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

NOTE 8 LONG-TERM DEBT (CONTINUED)

Bonds of this issue maturing in the years 1998 to 2005, inclusive, shall not be subject to redemption prior to maturity. Bonds or portions of bonds in multiples of $5,000 of this issue maturing in the years 2006 to 2016, inclusive, shall be subject to redemption prior to maturity, at the option of the County, in such order as the

County shall determine, on any interest payment date on or after November 1, 2005, at par and accrued interest to the date fixed for redemption, plus a premium expressed as a percentage of par, as follows:

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

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

Bond and contractual obligation activity can be summarized as follows:

Business-Type Activities	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Revenue Refunding Bonds, Series 1989, Village of White Pigeon Sewer System, issued by St. Joseph County on March 23, 1989, $455,000 bond, varying interest rate, averaging 4.969%, maturing November 1, 2009.	$ 140,000	($ 105,000)	$ 35,000	$ 35,000
Limited Tax General Obligation Wastewater System Bonds, issued by St. Joseph County on May 19, 1997, $1,400,000 bond, 4.6 – 7% interest rate, maturing November 2017.	925,000	(75,000)	850,000	75,000
Total Business-Type Activities	$1,065,000	($180,000)	$ 885,000	$110,000

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

	VILLAGE DEBT		SEWER EXTENSION		
Year End June 30	Principal	Interest	Principal	Interest	Total
2007	35,000	1,750	75,000	44,025	155,775
2008	-	-	75,000	40,275	115,275
2009	-	-	75,000	36,525	111,525
2010	-	-	75,000	32,700	107,700
2011	-	-	75,000	28,837	103,837
2012-2017	-	-	475,000	87,938	562,938
Totals	$ 35,000	$ 1,750	$ 850,000	$270,300	$1,157,050

NOTE 9 RISK MANAGEMENT

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

OTHER SUPPLEMENTARY INFORMATION

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE
PROPRIETARY FUND - SANITARY SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Resources (inflows)				
Operating revenues				
Sewer Service				
Village	$ 173,200	$ 175,040	$ 173,430	$ (1,610)
Township	148,000	148,900	150,237	1,337
Annexed Village	32,000	31,580	31,606	26
Fish Lake	42,600	42,950	43,120	170
Mottville Township	2,933	2,933	2,933	-
Indiana	87,360	87,895	87,920	25
Connections				
Village	-	-	650	650
Township	-	5,550	5,550	-
Fish Lake	-	-	-	-
Penalties				
Village	2,000	4,400	2,678	(1,722)
Township	1,000	5,000	1,415	(3,585)
Annexed Village	200	7,900	338	(7,562)
Fish Lake	1,200	8,600	1,039	(7,561)
Mottville Township	-	-	-	-
Permits				
Village	-	50	-	(50)
Township	-	-	(25)	(25)
Fish Lake	-	90	50	(40)
Indiana Stone Lake	-	-	90	90
Miscellaneous				
Village	-	-	-	-
Total operating revenue	490,493	520,888	501,031	(19,857)

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
PROPRIETARY FUND - SANITARY SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Non-operating revenue				
Investment income				
Replacement fund	$ 1,200	$ 7,000	$ 9,672	$ 2,672
Village debt	300	700	1,651	951
Township debt	300	4,500	4,672	172
Village Annex debt	150	1,300	1,709	409
Fish Lake debt	4,000	11,000	13,270	2,270
Expansion fund	2,500	6,000	6,333	333
Village collection	700	620	95	(525)
Township collection	1,000	2,000	1,419	(581)
Annex collection	-	35	80	45
Fish Lake collection	50	1,000	1,061	61
Indiana collection	15	40	61	21
Interest on connections				
Village	-	-	1,789	1,789
Township	-	-	3,878	3,878
Village Annex	-	-	7,596	7,596
Fish Lake	-	-	7,686	7,686
				-
Total non-operating revenue	10,215	34,195	60,972	26,777
Available for Appropriations	500,708	555,083	562,003	6,920

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
PROPRIETARY FUND - SANITARY SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Charges to appropriations (outflows)				
Operating expenses				
Administration				
Salaries and wages	$ 42,000	$ 44,500	$ 44,163	$ 337
Board fees	6,420	6,300	5,885	415
Payroll taxes	4,200	4,200	4,076	124
Health insurance	9,000	10,700	10,687	13
Pension expense	2,100	2,225	2,388	(163)
Supplies and postage	9,750	8,600	6,139	2,461
Computer services	1,000	5,000	3,809	1,191
Professional fees	8,500	7,800	7,358	442
Consultants	500	250	-	250
Telephone	2,500	2,500	2,289	211
Printing and publishing	150	260	259	1
Insurance	400	320	294	26
Utilities	1,800	1,500	1,490	10
Repair & maint.- equipment	1,000	250	-	250
Maintenance charges	2,150	2,150	2,032	118
Repair & maint. - building	250	2,000	2,093	(93)
Rental equipment	100	1,700	1,665	35
Bank service charges	50	70	70	-
Misc. administration	700	300	186	114
ACH debiting charges	900	900	903	(3)
Bad debt	100	50	18	32
Total Administration	93,570	101,575	95,804	5,771
Village Collection System				
Salaries and wages	3,510	3,510	3,404	106
Payroll taxes	270	270	278	(8)
Operating supplies	100	100	93	7
Gasoline and oil	600	1,100	743	357
Treatment chemicals	350	350	-	350
Insurance	1,000	1,000	924	76
Utilities	1,700	1,700	1,241	459
Repairs - equipment	2,000	6,000	49,352	(43,352)
Repairs - sewer	1,000	1,000	(2,580)	3,580
Telephone	300	300	231	69
Vehicle expense	300	300	251	49
Total Village Collection	11,130	15,630	53,937	(38,307)

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
PROPRIETARY FUND - SANITARY SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Township Collection System				
Salaries and wages	$ 11,385	$ 11,385	$ 12,049	$ (664)
Payroll taxes	850	910	924	(14)
Operating supplies	100	100	131	(31)
Gasoline and oil	1,700	2,200	1,857	343
Treatment chemicals	3,600	3,600	4,220	(620)
Telephone	2,700	2,900	2,823	77
Vehicle expense	600	600	480	120
Insurance	3,600	3,600	3,441	159
Utilities	9,300	9,300	7,906	1,394
Repairs - equipment	7,000	13,000	54,994	(41,994)
Repairs - sewer	2,000	2,000	448	1,552
Total Township Collection	42,835	49,595	89,273	(39,678)
Annexed Village Collection System				
Salaries and wages	2,070	2,070	2,282	(212)
Payroll taxes	160	160	176	(16)
Operating supplies	75	75	93	(18)
Gasoline and oil	80	150	101	49
Treatment chemicals	250	250	-	250
Telephone	600	600	468	132
Vehicle expense	100	100	79	21
Insurance	650	650	587	63
Utilities	450	400	303	97
Repairs - equipment	500	800	6,235	(5,435)
Repairs - sewer	200	200	-	200
Total Annexed Village Collection	5,135	5,455	10,324	(4,869)

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
PROPRIETARY FUND - SANITARY SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Fish Lake Collection System				
Salaries and wages	$ 2,485	$ 3,000	$ 2,963	$ 37
Payroll taxes	225	230	228	2
Operating supplies	100	100	93	7
Gasoline and oil	150	235	169	66
Treatment chemicals	250	250	-	250
Telephone	500	500	450	50
Vehicle expense	130	130	108	22
Insurance	700	700	587	113
Utilities	700	800	639	161
Repairs - equipment	1,000	1,500	86	1,414
Repairs - sewer	500	500	119	381
Total Fish Lake Collection	6,740	7,945	5,442	2,503
Indiana Fish Lake Collection System				
Salaries and wages	2,070	2,600	2,246	354
Payroll taxes	210	210	173	37
Operating supplies	50	50	93	(43)
Gasoline and oil	150	235	169	66
Treatment chemicals	230	200	-	200
Telephone	500	500	450	50
Vehicle expense	130	130	108	22
Insurance	700	700	587	113
Utilities	700	800	639	161
Repairs - equipment	500	500	86	414
Repairs - sewer	250	250	-	250
Total Indiana Fish Lake Collection System	$ 5,490	$ 6,175	$ 4,551	$ 1,624

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
PROPRIETARY FUND - SANITARY SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Indiana Stone Lake Collection System				
Salaries and wages	$ 3,930	$ 3,930	$ 3,798	$ 132
Payroll taxes	310	310	295	15
Operating supplies	50	50	93	(43)
Gasoline and oil	250	470	338	132
Treatment chemicals	150	150	-	150
Telephone	3,000	3,100	2,458	642
Vehicle expense	175	175	132	43
Insurance	1,400	1,400	1,175	225
Utilities	1,300	1,300	1,002	298
Repairs - equipment	500	500	91	409
Repairs - sewer	250	250	21	229
Total Indiana Stone Lake Collection System	11,315	11,635	9,403	2,232
Treatment Plant				
Salaries and wages	98,300	98,300	94,858	3,442
Contract labor	500	500	160	340
Payroll taxes	8,000	8,000	7,271	729
Health insurance	26,000	23,000	21,696	1,304
Pension expense	5,000	6,100	5,893	207
Operating supplies	1,000	1,000	756	244
Expendable tools	3,000	3,000	1,868	1,132
Gasoline and oil	950	1,100	(649)	1,749
Treatment chemicals	10,000	10,000	9,420	580
Laboratory supplies	4,000	4,500	4,245	255
Consultants	3,000	8,500	8,140	360
Telephone	2,200	2,200	2,009	191
Vehicle expense	2,700	2,700	2,022	678
Insurance	23,000	23,000	21,781	1,219
Utilities	23,500	23,000	22,768	232
Repairs - equipment	8,000	8,000	4,525	3,475
Repairs - building	1,500	1,000	1,316	(316)
Equipment lease	500	500	123	377
Miscellaneous	1,500	1,500	2,061	(561)
Total Treatment Plant	222,650	225,900	210,263	15,637
Total Operating Expenses	398,865	423,910	478,997	(55,087)

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
PROPRIETARY FUND - SANITARY SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Non-operating Expenses				
Bond interest expense	$ 54,450	$ 54,425	$ 46,404	$ 8,021
Sale of fixed assests	-	-	-	-
Total Charges To Appropriations	453,315	478,335	525,401	(47,066)
Excess (Deficiency) of Resources Over Charges to Appropriations	47,393	76,748	36,602	(40,146)
Beginning of Year Fund Balance	6,901,579	6,901,579	6,901,579	-
End of Year Fund Balance	$ 6,948,972	$ 6,978,327	6,938,181	$ (40,146)
Depreciation and amortization expense not budgeted for			281,433	
End of Year Balance as Reported on Proprietary Statement of Revenues Expenses and Changes in Net Assets			$ 6,656,748	

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND RESERVES
REPLACEMENT RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006
Revenues	
Village sewer service	$ 144,618
Township sewer service	95,202
Village Annex sewer service	19,634
Fish Lake sewer service	25,781
Indiana sewer service	68,896
Interest income	9,672
Total revenues	363,803
Operating Expenses	
Administration	95,804
Treatment plant	210,260
Total expenses	306,063
Excess of revenues over expenses	57,740
Beginning balance	472,934
Increase (Decrease) by Board action	(128,530)
Ending balance	$ 402,144

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND RESERVES
VILLAGE COLLECTION RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006
Revenues	
Sewer service	$ 10,467
Penalties	2,678
Investment income	95
Total revenues	13,240
Operating Expenses	
Salaries and wages	3,404
Payroll taxes	278
Operating supplies	93
Gasoline and oil	743
Telephone	231
Vehicle expense	251
Insurance	924
Utilities	1,241
Repairs and maintenance	46,772
Total expenses	53,937
Excess of revenues over expenses	(40,697)
Beginning balance	6,945
Increase (Decrease) by Board action	49,197
Ending balance	$ 15,445

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND RESERVES
TOWNSHIP COLLECTION RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006
Revenues	
Sewer service	$ 55,035
Penalties	1,415
Investment income	1,419
Total revenues	57,869
Operating Expenses	
Salaries and wages	12,049
Payroll taxes	924
Operating supplies	131
Gasoline and oil	1,857
Telephone	2,823
Vehicle expense	480
Treatment chemicals	4,220
Insurance	3,441
Utilities	7,906
Repairs and maintenance	55,442
Total expenses	89,273
Excess of revenues over expenses	(31,404)
Beginning balance	112,898
Increase (Decrease) by Board action	37,233
Ending balance	$ 118,727

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND RESERVES
VILLAGE ANNEX COLLECTION RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006
Revenues	
Sewer service	$ 4,372
Penalties	338
Investment income	80
Total revenues	4,790
Operating Expenses	
Salaries and wages	2,282
Payroll taxes	176
Operating supplies	93
Gasoline and oil	101
Telephone	468
Vehicle expense	79
Insurance	587
Utilities	303
Repairs and maintenance	6,235
Total expenses	10,324
Excess (Deficiency) of revenues over expenses	(5,534)
Beginning balance	1,925
Increase (Decrease) by Board action	6,150
Ending balance	$ 2,541

WHITE PIGEON SANITARY SYSTEM

SCHEDULES OF REVENUES, EXPENSES AND RESERVES
FISH LAKE COLLECTION RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006
Revenues	
Sewer service fees	$ 6,288
Penalties	1,039
Investment income	1,061
Total revenues	8,388
Operating Expenses	
Salaries and wages	2,963
Payroll taxes	228
Operating supplies	93
Gasoline and oil	169
Telephone	450
Vehicle expense	108
Insurance	587
Utilities	639
Repairs and maintenance	205
Total expenses	5,442
Excess (Deficiency) of revenues over expenses	2,946
Beginning balance	22,736
Increase (Decrease) by Board action	-
Ending balance	$ 25,682

WHITE PIGEON SANITARY SYSTEM

SCHEDULES OF REVENUES, EXPENSES AND RESERVES
INDIANA COLLECTION RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006
Revenues	
Sewer service	$ 19,024
Permits	90
Total revenues	19,114
Operating Expenses	
Salaries and wages	6,044
Payroll taxes	468
Operating supplies	186
Gasoline and oil	507
Telephone	2,908
Vehicle expense	240
Insurance	1,762
Utilities	1,641
Repairs and maintenance	198
Total expenses	13,954
Excess (Deficiency) of revenues over expenses	5,160
Beginning balance	1,007
Increase (Decrease) by Board action	-
Ending deficit	$ 6,167

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND RESERVES
VILLAGE DEBT RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006
Revenues	
Sewer service fees	$ 18,344
Connections	650
Assessment interest	1,789
Assessment principal	3,860
Investment income	1,651
Total revenues	26,294
Operating Expenses	
Bond interest	5,311
Bond principal	100,000
Total expenses	105,311
Excess (Deficiency) of revenues over expenses	(79,017)
Beginning balance	173,480
Increase (Decrease) by Board action	-
Ending balance	$ 94,463

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND RESERVES
TOWNSHIP DEBT RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006
Revenues	
Sewer service fees	$ -
Assessment interest	3,878
Assessment principal	4,721
Connections	5,550
Investment income	4,672
Total revenues	18,821
Operating Expenses	
Bond interest	3,960
Bond principal	6,308
Total expenses	10,268
Excess (Deficiency) of revenues over expenses	8,553
Beginning balance	99,059
Increase (Decrease) by Board action	-
Ending balance	$ 107,612

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND RESERVES
VILLAGE ANNEX DEBT RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006
Revenues	
Sewer service fees	$ 8,380
Assessment interest	7,596
Assessment principal	15,137
Connections	-
Investment income	1,709
Total revenues	32,822
Operating Expenses	
Bond interest	10,976
Bond principal	17,483
Total expenses	28,459
Excess (Deficiency) of revenues over expenses	4,363
Beginning balance	53,864
Increase (Decrease) by Board action	-
Ending balance	$ 58,227

WHITE PIGEON SANITARY SYSTEM

SCHEDULES OF REVENUES, EXPENSES AND RESERVES
FISH LAKE DEBT RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006
Revenues	
Sewer service fees	$ 11,051
Assessment interest	7,686
Assessment principal	26,651
Investment income	13,270
Total revenues	58,658
Operating Expenses	
Bond interest	26,157
Bond principal	41,663
Total expenses	67,820
Excess (Deficiency) of revenues over expenses	(9,162)
Beginning balance	385,855
Increase (Decrease) by Board action	-
Ending balance	$ 376,693

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND RESERVES
EXPANSION FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006
Revenues	
Mottville sewer service	$ 2,153
Permits	115
Investment income	6,333
Total revenues	8,601
Beginning balance	71,843
Increase (Decrease) by Board action	35,951
Ending balance	$ 116,395

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF ALLOCATION OF BOND INDEBTEDNESS
1997 SERIES SEWER IMPROVEMENT BONDS
DECEMBER 31, 2006

YEAR	VILLAGE		TOWNSHIP		VILLAGE ANNEX		FISH LAKE		TOTALS	
DUE	12.73%		8.41%		23.31%		55.55%		100%	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2007	9,547.50	5,604.38	6,307.50	3,702.50	17,482.50	10,262.23	41,662.50	24,455.89	75,000.00	44,025.00
2008	9,547.50	5,127.01	6,307.50	3,387.13	17,482.50	9,388.10	41,662.50	22,372.76	75,000.00	40,275.00
2009	9,547.50	4,649.63	6,307.50	3,071.75	17,482.50	8,513.98	41,662.50	20,289.64	75,000.00	36,525.00
2010	9,547.50	4,162.71	6,307.50	2,750.07	17,482.50	7,622.37	41,662.50	18,164.85	75,000.00	32,700.00
2011	9,547.50	3,671.01	6,307.50	2,425.23	17,482.50	6,722.02	41,662.50	16,019.23	75,000.00	28,837.50
2012	9,547.50	3,174.54	6,307.50	2,097.24	17,482.50	5,812.93	41,662.50	13,852.78	75,000.00	24,937.50
2013	10,184.00	2,673.30	6,728.00	1,766.10	18,648.00	4,895.10	44,440.00	11,665.50	80,000.00	21,000.00
2014	10,184.00	2,138.64	6,728.00	1,412.88	18,648.00	3,916.08	44,440.00	9,332.40	80,000.00	16,800.00
2015	10,184.00	1,603.98	6,728.00	1,059.66	18,648.00	2,937.06	44,440.00	6,999.30	80,000.00	12,600.00
2016	10,184.00	1,069.32	6,728.00	706.44	18,648.00	1,958.04	44,440.00	4,666.20	80,000.00	8,400.00
2017	10,184.00	534.66	6,728.00	353.22	18,648.00	979.02	44,440.00	2,333.10	80,000.00	4,200.00
	$ 108,205.00	$ 34,409.19	$ 71,485.00	$ 22,732.23	$ 198,135.00	$ 63,006.93	$ 472,175.00	$ 150,151.65	$ 850,000	$ 270,300