

### 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 type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Marathon Township	County Lapeer County
Fiscal Year End March 31, 2007	Opinion Date May 17, 2007	Date Audit Report Submitted to State May 18, 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 | <b>Check each applicable box below.</b> (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"/>		
Certified Public Accountant (Firm Name) Lehn L. King, C.P.A.		Telephone Number 989-635-3113	
Street Address 3531 Main Street		City Marlette	State Zip MI 48453
Authorizing CPA Signature 	Printed Name Lehn King		License Number A248781

# *Township of Marathon*

**Lapeer County, Michigan**

Audited Financial Report  
March 31, 2007

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Phone 989-635-3113  
Fax 989-635-5580

May 17, 2007

Members of the Township Board  
**Marathon Township**  
Lapeer County, Michigan

Board Members:

In accordance with your request, I have made an examination of the financial statements of Marathon Township for the fiscal year ended March 31, 2007. During the course of my examination, certain items have come to my attention on which I would like to comment and offer my recommendations.

- 1.) All paid bills must be approved for payment in the Minutes. Thus, a person should be able to trace paid bills to the Minutes. To do this, the bills should be listed in the Minutes or identified in such a manner as, "Paid bills in the amount of \$(Amount) from Check # \_\_\_\_\_ to Check # \_\_\_\_\_."
- 2.) An employee of the Township can only exclude an expense reimbursement from their salary and subsequently, taxable income, by following the guidelines of an 'Accountable Plan' as defined by the IRS Code.
- 3.) The Tax Collection Fund is a Trust and Agency Fund. The amount of cash in the Tax Collection Fund is to balance with entities in which that money is due. Thus, the cash should balance with those that the Tax Collection account owes on an on going basis.
- 4.) The amendments to the budget should be detailed in the Minutes. The amendments should balance, indicating what account has been increased and decreased. The amendments should either be detailed in the Minutes or attached as a separate sheet to the Minutes and become part of the permanent records of the Township

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

Sincerely,

*Lehn King*

Lehn L. King  
**Certified Public Accountant**

**Township of Marathon**  
 Annual Financial Report  
 For The Fiscal Year Ended March 31, 2007

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Members of the Township Board  
**Marathon Township**  
Lapeer County, Michigan

**Independent Auditor's Report**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Marathon, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Marathon, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Marathon, Michigan as of March 31, 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, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

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

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

*Lehn King*

Lehn L. King  
Certified Public Accountant

May 17, 2007

# Township of Marathon

## Columbiaville, Michigan

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### MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Township of Marathon's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

#### Financial Highlights

The Township is in good financial position with a General Fund Balance of \$236,953.

#### Using this Report

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

#### The Township as a Whole

The Township of Marathon's fund balances are as follows:

	<u>March 31,</u> <u>2007</u>	<u>March 31,</u> <u>2006</u>
General Fund	\$ 236,953	\$ 240,400
Building Inspection Fund	13,729	18,789
Total for Township	<u>\$ 250,682</u>	<u>\$ 259,189</u>

# Township of Marathon

## Columbiaville, Michigan

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### Governmental Activities

The Township of Marathon's Revenues and Expenditures can be summarized as follows:

	General Fund	Building Inspection Fund	Hemingway Lake Fund	Special Road Bond Fund	Total Governmental Activities
<b>Fund Balance - Beginning of Year</b>	\$ 240,400	\$ 18,790	\$ 10,165	\$ -	\$ 269,355
<b>Revenue Collected</b>					
Intergovernmental Revenue	239,491	-	-	-	239,491
Property Taxes/Special Assessments	185,014	-	60,986	-	246,000
Charges for Services	12,216	25,684	-	-	37,900
Loan Proceeds	-	-	-	200,000	200,000
Transfers	-	-	-	13,712	13,712
Other	26,806	831	-	4,054	31,691
<b>Total Revenue Collected</b>	<b>463,527</b>	<b>26,515</b>	<b>60,986</b>	<b>217,766</b>	<b>768,794</b>
<b>Expenditures</b>					
General Government	228,609	-	-	-	228,609
Public Safety	63,919	31,574	-	-	95,493
Public Works	79,164	-	3,220	24,275	106,659
Recreation & Culture	-	-	-	-	-
Other Functions	-	-	-	-	-
Capital Outlay	-	-	45,516	-	45,516
Debt Service	81,569	-	-	13,712	95,281
Transfers	13,713	-	-	-	13,713
<b>Total Expenditures</b>	<b>466,974</b>	<b>31,574</b>	<b>48,736</b>	<b>37,987</b>	<b>585,271</b>
<b>Fund Balance - End of Year</b>	<b>\$ 236,953</b>	<b>\$ 13,731</b>	<b>\$ 22,415</b>	<b>\$ 179,779</b>	<b>\$ 452,878</b>

# Township of Marathon

## Columbiaville, Michigan

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### Economic Factors and Next Year's Budget and Rates

The Township of Marathon's 2007/2008 adopted budget is as follows:

	<b>General Fund</b>		<b>Building Inspection Fund</b>	
	<b>March 31,</b>		<b>March 31,</b>	
	<b>2007/2008</b>	<b>2006/2007</b>	<b>2007/2008</b>	<b>2006/2007</b>
<b>Revenue</b>				
Intergovernmental Revenue	242,065	233,100	-	-
Property Taxes/Special Assessments	183,890	185,700	-	-
Charges for Services	5,000	6,000	14,000	52,000
Transfer	-	-	-	-
Other	950	850	-	16,500
Total Revenue Collected	431,905	425,650	14,000	68,500
<b>Expenditures</b>				
General Government	237,710	254,064	-	-
Public Safety - Police	64,600	62,625	14,005	53,000
Public Works	161,001	176,569	-	-
Recreation & Culture	-	-	-	-
Other Functions	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	120,848	84,750	-	-
Transfers	-	-	-	-
Total Expenditures	584,159	578,008	14,005	53,000
<b>Net Over/Under Budget</b>	\$ (152,254)	\$ (152,358)	\$ (5)	\$ 15,500

The Township of Marathon's General Fund budget for next year is approximately the same budget as a year ago.

### Contacting the Township

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Township office at 4575 Pine Street, Box 457 Columbiaville, Michigan or by telephone at (810) 793-2002.

Dale Fuller  
Township of Marathon Supervisor

# Township of Marathon

Statement of Net Assets (Deficit)

March 31, 2007

	<b><u>Primary Government Governmental Activities</u></b>
<b><u>Assets</u></b>	
Cash & Cash Equivalents	\$ 374,251.60
Property Taxes Receivable	28,082.12
Due From Other Funds - Net	56,152.04
Capital Assets (Net of Accumulated Depreciation)	<u>195,282.19</u>
Total Assets	653,767.95
<b><u>Liabilities</u></b>	
Accounts Payable	\$ 5,608.67
Accrued Interest Payable	6,912.00
Current Portion of Long-Term Debt	104,123.00
Long-Term Debt	<u>302,369.00</u>
Total Liabilities	<u>419,012.67</u>
<b>Net Assets (Deficit)</b>	
Invested in Capital Assets - Net of Related Debt	(218,121.81)
Restricted for Hemingway Lake	22,415.12
Restricted for Road Improvements	179,779.99
Unrestricted	<u>250,681.98</u>
Total Net Assets (Deficit)	<u><u>\$ 234,755.28</u></u>

The notes are an integral part of the statements.

**Township of Marathon**  
Statement of Activities  
For the Year Ended March 31, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue &amp; Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants &amp; Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary Government:					
Governmental Activities:					
General Government	\$ 232,968.66	\$ 12,216.86	\$ -	\$ -	\$ (220,751.80)
Public Safety	95,492.55	25,683.60	-	-	(69,808.95)
Public Works	107,416.68	-	-	-	(107,416.68)
Interest on Long-Term Debt	16,158.95	-	-	-	(16,158.95)
<u>Total Governmental Activities</u>	<u>\$ 452,036.84</u>	<u>\$ 37,900.46</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(414,136.38)</u>
<b>General Revenues:</b>					
Property Taxes					\$ 184,121.57
State Shared Revenues					239,491.00
Special Assessments					61,879.18
Interest					7,006.99
Other Revenues					24,681.09
Transfers					-
Total General Revenues, Special Items & Transfers					<u>517,179.83</u>
<b>Change in Net Assets</b>					103,043.45
<b>Net Assets (Deficit) - Beginning of Year</b>					<u>131,711.83</u>
<b>Net Assets (Deficit) - End of Year</b>					<u>\$ 234,755.28</u>

The notes are an integral part of the statements.

# Township of Marathon

## Governmental Funds

### Balance Sheet

March 31, 2007

	<b>General Fund</b>	<b>Building Inspection Fund</b>	<b>Hemingway Lake Fund</b>	<b>Special Road Bond Fund</b>	<b>Totals Governmental Funds</b>
<b><u>Assets</u></b>					
Cash & Certificates of Deposit	\$ 162,489.75	\$ 14,019.83	\$ 17,962.03	\$ 179,779.99	\$ 374,251.60
Property Taxes Receivable	23,629.03	-	4,453.09	-	28,082.12
Due From Other Funds	56,152.04	-	-	-	56,152.04
<b>Total Assets</b>	<b>\$ 242,270.82</b>	<b>\$ 14,019.83</b>	<b>\$ 22,415.12</b>	<b>\$ 179,779.99</b>	<b>\$ 458,485.76</b>
<b><u>Liabilities &amp; Fund Equity</u></b>					
<b><u>Liabilities</u></b>					
Accounts Payable	\$ 5,318.25	\$ 290.42	-	-	\$ 5,608.67
Due To Other Funds	-	-	-	-	-
<b>Total Liabilities</b>	<b>5,318.25</b>	<b>290.42</b>	<b>-</b>	<b>-</b>	<b>5,608.67</b>
<b><u>Fund Equity</u></b>					
Fund Balances					
- Unreserved & Undesignated	236,952.57	13,729.41	22,415.12	179,779.99	452,877.09
<b>Total Fund Balances</b>	<b>236,952.57</b>	<b>13,729.41</b>	<b>22,415.12</b>	<b>179,779.99</b>	<b>452,877.09</b>
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$ 242,270.82</b>	<b>\$ 14,019.83</b>	<b>\$ 22,415.12</b>	<b>\$ 179,779.99</b>	<b>\$ 458,485.76</b>

The notes are an integral part of the statements.

**Township of Marathon**  
Governmental Funds  
Reconciliation of Fund Balances to the  
Statement of Net Assets (Deficit)  
For The Year Ended March 31, 2007

**Total Fund Balances for Governmental Funds** \$ 452,877.09

Amounts reported for Governmental Activities in the Statement of  
Net Assets (Deficit) are different because:

Capital Assets used in Governmental Activities are not Financial  
Resources and are not reported in the Funds 195,282.19

Long-Term Bonds Payable are not due and payable in the current  
period and are not reported in the Funds (406,492.00)

Accrued Interest Payable is not reported in the Funds (6,912.00)

**Net Assets of Governmental Activities** \$ 234,755.28

**Township of Marathon**  
Governmental Funds  
Statement of Revenues, Expenditures, And Changes  
in Fund Balances  
For The Year Ended March 31, 2007

	<b>General Fund</b>	<b>Building Inspection Fund</b>	<b>Hemingway Lake Fund</b>	<b>Special Road Bond Fund</b>	<b>Totals Governmental Funds</b>
<b><u>Revenues</u></b>					
Property Taxes	\$ 184,121.57	\$ -	\$ -	\$ -	\$ 184,121.57
State Shared Revenue	239,491.00	-	-	-	239,491.00
Special Assessments	893.02	-	60,986.16	-	61,879.18
Charges for Services	3,113.40	-	-	-	3,113.40
Permits & Fees	9,103.46	25,683.60	-	-	34,787.06
Bond Proceeds	-	-	-	200,000.00	200,000.00
Interest Earnings	2,121.82	830.77	-	4,054.40	7,006.99
Other Revenues	24,681.09	-	-	-	24,681.09
<b><u>Total Revenues</u></b>	<b><u>463,525.36</u></b>	<b><u>26,514.37</u></b>	<b><u>60,986.16</u></b>	<b><u>204,054.40</u></b>	<b><u>755,080.29</u></b>
<b><u>Expenditures</u></b>					
General Government	228,608.66	-	-	-	228,608.66
Public Safety	63,918.77	31,573.78	-	-	95,492.55
Publics Works	79,163.95	-	3,219.71	24,274.41	106,658.07
Capital Outlay	-	-	45,516.80	-	45,516.80
Debt Service - Principal	69,123.00	-	-	10,000.00	79,123.00
Debt Service - Interest	12,446.44	-	-	3,712.51	16,158.95
<b><u>Total Expenditures</u></b>	<b><u>453,260.82</u></b>	<b><u>31,573.78</u></b>	<b><u>48,736.51</u></b>	<b><u>37,986.92</u></b>	<b><u>571,558.03</u></b>
<b>Excess of Revenues Over (Under) Expenditures</b>	10,264.54	(5,059.41)	12,249.65	166,067.48	183,522.26
<b><u>Other Financing Sources (Uses)</u></b>					
Operating Transfers In (Out)	(13,712.51)	-	-	13,712.51	-
<b>Net Change in Fund Balances</b>	(3,447.97)	(5,059.41)	12,249.65	179,779.99	183,522.26
<b><u>Fund Balances - Beginning of Year</u></b>	<b><u>240,400.54</u></b>	<b><u>18,788.82</u></b>	<b><u>10,165.47</u></b>	<b><u>-</u></b>	<b><u>269,354.83</u></b>
<b><u>Fund Balances - End of Year</u></b>	<b><u>\$ 236,952.57</u></b>	<b><u>\$ 13,729.41</u></b>	<b><u>\$ 22,415.12</u></b>	<b><u>\$ 179,779.99</u></b>	<b><u>\$ 250,681.98</u></b>

The notes are an integral part of the statements.

**Township of Marathon**  
 Governmental Funds  
 Reconciliation of Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For The Year Ended March 31, 2007

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 183,522.26</b>
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental Funds report Capital Outlays as Expenditures; in the Statement of Activities, these costs are capitalized and allocated over their estimated useful lives as Depreciation	45,516.80
Repayment of Bond Principal is an Expenditure in the Governmental Funds, but not in the Statement of Activities (where it reduces Long-Term Debt)	79,123.00
Loan Proceeds are recognized as revenue in the Governmental Funds, but not in the Statement of Activities	(200,000.00)
Interest Expense is reported in the Statement of Activities when a Liability is incurred; they are reported in the Governmental Funds only when payment is due	-
Depreciation is an Expenditure for the Statement of Activities, but is not reported in the Governmental Funds	<u>(5,118.61)</u>
<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 103,043.45</u></u></b>

The notes are an integral part of the statements.

# Township of Marathon

Statement of Net Assets (Deficit)  
Fiduciary Funds  
March 31, 2007

<u>Assets</u>	<b>Fiduciary Fund Types</b>		
	Agency Funds		<b>Totals March 31, 2007</b>
	<b>Trust &amp; Agency Fund</b>	<b>Current Tax Collection Fund</b>	
Cash - Savings & Certificates	\$ 47,570.65	\$ 10,731.40	\$ 58,302.05
Due From Other Funds	-	-	-
<u>Total Assets</u>	\$ 47,570.65	\$ 10,731.40	\$ 58,302.05
<b><u>Liabilities &amp; Fund Balance</u></b>			
<b><u>Liabilities</u></b>			
Due To General Fund	\$ 47,270.65	\$ 8,881.39	\$ 56,152.04
Due To Others	300.00	1,850.01	2,150.01
<u>Total Liabilities</u>	47,570.65	10,731.40	58,302.05
<b><u>Fund Balances</u></b>			
Unreserved & Undesignated	-	-	-
<u>Total Fund Balances</u>	-	-	-
<u>Total Liabilities &amp; Fund Balances</u>	\$ 47,570.65	\$ 10,731.40	\$ 58,302.05

The notes are an integral part of the statements.

# **Township of Marathon**

Notes to the Financial Statements  
For The Year Ended March 31, 2007

The accounting methods and procedures adopted by the Township of Marathon, Lapeer County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Townships Comprehensive Annual Financial Report.

## **1. Summary of Significant Accounting Policies**

### **Financial Reporting Entity**

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

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

### **Government-wide and Fund Statements Fund**

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Township (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

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

The Township reports the following major governmental funds:

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

**Building Inspection Fund** – This fund is set up for the monitoring of Township construction. It is primarily funded through the collection of permits for the various types of construction.

**Hemingway Lake Fund** – This fund is for the purpose of collecting a special assessment for the repair of the dam and control of the weeds.

**Special Road Bond Fund** – The Township incurred a road bond for \$200,000 for the purpose of completing road improvement projects.

**Township of Marathon**  
Notes to the Financial Statements  
For The Year Ended March 31, 2007

Additionally, the Township reports the following fund types:

**Trust & Agency Fund** – The fund accounts for the performance bonds from various activities in the Township. Funding is provided primarily through performance bonds collected after certain applications have been completed and returned upon completion of the necessary requirements of the process. The Township is no longer collecting performance.

**Current Tax Collection Fund** - The Current Tax Collection Fund accounts for the collection and disbursement of local property taxes.

**Measurement Focus and Basis of Accounting**

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

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

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

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

**Due to and Due from Other Funds** - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

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

**Vacation, Sick Leave, & Other Compensated Absences** - The Township does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. 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.

**Township of Marathon**  
Notes to the Financial Statements  
For The Year Ended March 31, 2007

**Capital Assets** - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings & Building Improvements	35 to 50 years
Machinery & Equipment	3 to 20 years

**Long-Term Obligations** - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

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

**Accounting Changes**

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

- A management's discussion and analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the Township. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

**Township of Marathon**  
Notes to the Financial Statements  
For The Year Ended March 31, 2007

**2. Stewardship, Compliance, and Accountability**

**Budgetary Information**

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

1. Prior to April 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted.
4. The budget is used by the Township Board as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level.
5. Budget amounts are as originally adopted, and as amended by the Township Board.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budget was adopted to the department level. Budgets for these funds are shown in the supplemental schedules to this statement.

During the year ended March 31, 2007, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
<b>General Fund</b>			
Clerk	\$ 25,691	\$ 27,690	\$ 1,999

**Township of Marathon**  
Notes to the Financial Statements  
For The Year Ended March 31, 2007

**3. Cash and Investments**

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

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

	<b>Governmental Activities</b>	<b>Fiduciary - Trust &amp; Agency Funds</b>	<b>Total Primary Government</b>
Cash & Cash Equivalents	\$ 374,252	\$ 58,302	\$ 432,554

The Township's deposits are in accordance with statutory authority. As of March 31, 2007, the balance sheet carrying amount of cash deposits was \$432,554. The bank balance as of March 31, 2007, was \$432,554, of which \$109,138 was covered by FDIC insurance.

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

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

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

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

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

**Township of Marathon**  
Notes to the Financial Statements  
For The Year Ended March 31, 2007

**4. Property Taxes**

The Township is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and must be paid by the following February 14.

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

The Township levied the following taxes:

General Government Services                      1.3927 mills

**5. Interfund Receivables, Payables, & Transfers**

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

	<b><u>Due From Other Funds</u></b>		<b><u>Due To Other Funds</u></b>
General Fund	\$ 8,881	Tax Collection Fund	\$ 8,881
General Fund	<u>47,271</u>	Trust & Agency Fund	<u>47,271</u>
 Total	 <u><u>\$ 56,152</u></u>		 <u><u>\$ 56,152</u></u>

Interfund Transfers reported in the Fund Statements are as follows:

	<b><u>Transferred From</u></b>		<b><u>Transferred To</u></b>
General Fund	\$ 13,713	Special Road Bond Fund	\$ 13,713
 Total	 <u><u>\$ 13,713</u></u>		 <u><u>\$ 13,713</u></u>

**Township of Marathon**  
Notes to the Financial Statements  
For The Year Ended March 31, 2007

**6. Capital Assets**

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

	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Disposals &amp; Adjustments</u>	<u>Balance March 31, 2007</u>
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated - Land	\$ 2,300	\$ -	\$ -	\$ 2,300
Capital Assets Being Depreciated:				
Buildings & Improvements	<u>217,984</u>	<u>45,517</u>	<u>-</u>	<u>263,501</u>
Total Capital Assets being Depreciated	217,984	45,517	-	263,501
Accumulated Depreciation:				
Buildings & Improvements	<u>65,400</u>	<u>5,118</u>	<u>-</u>	<u>70,518</u>
Total Accumulated Depreciation	65,400	5,118	-	70,518
Net Capital Assets Being Depreciated	<u>152,584</u>	<u>40,399</u>	<u>-</u>	<u>192,983</u>
<b>Net Capital Assets</b>	<u>\$ 154,884</u>	<u>\$ 40,399</u>	<u>\$ -</u>	<u>\$ 195,283</u>

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

Governmental Activities:	
General Government	<u>\$ 5,118</u>
Total Governmental Activities	<u>\$ 5,118</u>

**7. Long -Term Debt**

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>						
General Obligation Bonds & Contracts						
1997 Lapeer County Road Commission Bond						
Amount of Issue - \$180,000	4.4% -					
Maturing through 2007	4.90%	\$20,000	\$ 40,000	\$ (20,000)	\$ 20,000	\$ 20,000
2000 Lapeer County Road Commission Bond						
Amount of Issue - \$540,353	4.4% -					
Maturing through 2010	5.00%	\$49,123	\$ 245,615	\$ (49,123)	\$ 196,492	\$ 49,123
2006 Capital Improvement Bond - Citizens Bank						
Amount of Issue - \$200,000		\$10,000 -		\$ 200,000		
Maturing through 2010	4.13%	\$40,000	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>\$ 190,000</u>	<u>\$ 35,000</u>
<b>Total Governmental Activities</b>			<u>\$ 285,615</u>	<u>\$ 120,877</u>	<u>\$ 406,492</u>	<u>\$ 104,123</u>

**Township of Marathon**  
Notes to the Financial Statements  
For The Year Ended March 31, 2007

**7. Long -Term Debt - Continued**

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

<u>Years Ending</u> <u>March 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 104,123	\$ 16,725	\$ 120,848
2008	84,123	12,420	96,543
2009	89,123	8,580	97,703
2010	89,123	4,510	93,633
2011	40,000	1,650	41,650
<b>Total</b>	<u>\$ 406,492</u>	<u>\$ 43,885</u>	<u>\$ 450,377</u>

**8. Deficit Fund Balance or Retained Earnings Balances of Individual Funds**

None

**9. Post Employment Benefits**

The Township does not provide any post employment benefits other than pension benefits through Manulife Financial.

**10. Risk Management**

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

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

**11. Retirement Plan**

The Township has a defined contribution pension plan through an insurance company. All full-time employees of the Township are covered under the plan. The Township contributes 7.65% of all wages of employees eligible for the benefits. The Township's contribution for the year ended March 31, 2007, was \$8,076, which was fully vested during the year.

**Required Supplemental Information**

**Township of Marathon**  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 General Fund  
 For The Year Ended March 31, 2007

<u>Revenues</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Property Taxes	\$ 187,000.00	\$ 187,000.00	\$ 184,121.57	\$ (2,878.43)
State Revenue Sharing	240,000.00	240,000.00	239,491.00	(509.00)
Special Assessments	12,525.00	12,525.00	893.02	(11,631.98)
Licenses, Permits & Fees	3,500.00	3,500.00	9,103.46	5,603.46
Charges for Services	200.00	200.00	3,113.40	2,913.40
Interest Earnings	500.00	500.00	2,121.82	1,621.82
Other Revenues	250.00	250.00	24,681.09	24,431.09
<u>Total Revenues</u>	<u>\$ 443,975.00</u>	<u>\$ 443,975.00</u>	<u>\$ 463,525.36</u>	<u>\$ 19,550.36</u>
<u>Expenditures</u>				
Legislative:				
Township Board	\$ 27,832.91	\$ 27,832.91	\$ 22,972.32	\$ 4,860.59
General Government:				
Supervisor	20,300.00	20,300.00	20,150.04	149.96
Elections	9,495.77	9,495.77	8,574.34	921.43
Assessor	28,237.72	28,237.72	28,137.72	100.00
Professional Fees	14,664.27	14,664.27	13,119.77	1,544.50
Clerk	25,691.00	25,691.00	27,690.04	(1,999.04)
Board of Review	1,200.00	1,200.00	1,012.50	187.50
Treasurer	30,691.00	30,691.00	30,616.04	74.96
Clerical	27,300.00	27,300.00	25,472.92	1,827.08
Building & Grounds	45,439.14	45,439.14	39,236.10	6,203.04
Cemetery	4,000.00	4,000.00	3,791.87	208.13
Insurance	7,832.00	7,832.00	7,832.00	-
Miscellaneous	500.00	500.00	3.00	497.00
Public Safety:				
Police Protection	62,000.00	62,000.00	60,589.55	1,410.45
Planning - Zoning	3,000.00	3,000.00	2,295.00	705.00
Street Lights	1,075.00	1,075.00	1,034.22	40.78
Public Works:				
Hemingway Lake Expense	18,306.51	18,306.51	7,387.50	10,919.01
Highways & Streets	190,245.27	190,245.27	70,000.53	120,244.74
Drains at Large	1,775.92	1,775.92	1,775.92	-
Debt Service - Principal	69,333.00	69,333.00	69,123.00	210.00
Debt Service - Interest	12,500.00	12,500.00	12,446.44	53.56
<u>Total Expenditures</u>	<u>601,419.51</u>	<u>601,419.51</u>	<u>453,260.82</u>	<u>148,158.69</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(157,444.51)	(157,444.51)	10,264.54	167,709.05
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In (Out)	(14,000.00)	(14,000.00)	(13,712.51)	287.49
<b>Excess of Revenues &amp; Operating Transfers In Over (Under) Expenditures &amp; Operating Transfers Out</b>	(171,444.51)	(171,444.51)	(3,447.97)	167,996.54
<b>Fund Balance - Beginning of Year</b>	171,444.23	171,444.23	240,400.54	68,956.31
<b>Fund Balance - End of Year</b>	<u>\$ (0.28)</u>	<u>\$ (0.28)</u>	<u>\$ 236,952.57</u>	<u>\$ 236,952.85</u>

**Township of Marathon**  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 Building Inspection Fund  
 For The Year Ended March 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
License & Permits	\$ 53,000.00	\$ 53,000.00	\$ 25,683.60	\$ (27,316.40)
Interest Earned	-	-	830.77	830.77
Other Revenue	-	-	-	-
<b><u>Total Revenues</u></b>	<u>53,000.00</u>	<u>53,000.00</u>	<u>26,514.37</u>	<u>(26,485.63)</u>
<b><u>Expenditures</u></b>				
Administration	4,400.00	4,400.00	74.00	4,326.00
Wages / Taxes / Pension	48,600.00	48,600.00	31,499.78	17,100.22
<b><u>Total Expenditures</u></b>	<u>53,000.00</u>	<u>53,000.00</u>	<u>31,573.78</u>	<u>21,426.22</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	-	-	(5,059.41)	(5,059.41)
<b><u>Other Financing Sources</u></b>				
Operating Transfers In (Out)	-	-	-	-
<b><u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u></b>	-	-	(5,059.41)	(5,059.41)
<b><u>Fund Balance - Beginning of Year</u></b>	-	-	18,788.82	18,788.82
<b><u>Fund Balance - End of Year</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,729.41</u>	<u>\$ 13,729.41</u>

**Township of Marathon**  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 Hemingway Lake Fund  
 For The Year Ended March 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Dam Special Assessment	\$ -	\$ -	\$ 50,211.16	\$ 50,211.16
Regular Special Assessment	-	-	10,775.00	10,775.00
Other Revenue	-	-	-	-
<b><u>Total Revenues</u></b>	<u>-</u>	<u>-</u>	<u>60,986.16</u>	<u>60,986.16</u>
<b><u>Expenditures</u></b>				
Weed Control & Administration	-	-	3,219.71	(3,219.71)
Capital Outlay	-	-	45,516.80	(45,516.80)
<b><u>Total Expenditures</u></b>	<u>-</u>	<u>-</u>	<u>48,736.51</u>	<u>(48,736.51)</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<u>-</u>	<u>-</u>	<u>12,249.65</u>	<u>12,249.65</u>
<b><u>Other Financing Sources</u></b>				
Operating Transfers In (Out)	-	-	-	-
<b><u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u></b>	<u>-</u>	<u>-</u>	<u>12,249.65</u>	<u>12,249.65</u>
<b><u>Fund Balance - Beginning of Year</u></b>	<u>-</u>	<u>-</u>	<u>10,165.47</u>	<u>10,165.47</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,415.12</u>	<u>\$ 22,415.12</u>

**Township of Marathon**  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 Special Road Bond Fund  
 For The Year Ended March 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Bond Proceeds	\$ -	\$ -	\$ 200,000.00	\$ 200,000.00
Interest Earnings	-	-	4,054.40	4,054.40
<b><u>Total Revenues</u></b>	<u>-</u>	<u>-</u>	<u>204,054.40</u>	<u>204,054.40</u>
<b><u>Expenditures</u></b>				
Legal Fees	-	-	8,700.00	(8,700.00)
Road Maintenance	-	-	15,574.41	(15,574.41)
Debt Service - Principal	-	-	10,000.00	(10,000.00)
Debt Service - Interest	-	-	3,712.51	(3,712.51)
<b><u>Total Expenditures</u></b>	<u>-</u>	<u>-</u>	<u>37,986.92</u>	<u>(37,986.92)</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<u>-</u>	<u>-</u>	<u>166,067.48</u>	<u>166,067.48</u>
<b><u>Other Financing Sources</u></b>				
Operating Transfers In (Out)	-	-	13,712.51	13,712.51
<b><u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u></b>	<u>-</u>	<u>-</u>	<u>179,779.99</u>	<u>179,779.99</u>
<b><u>Fund Balance - Beginning of Year</u></b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 179,779.99</u>	<u>\$ 179,779.99</u>

**Other Supplemental Information**

## Township of Marathon

Other Supplemental Information  
Schedule of Indebtedness  
March 31, 2007

### 1997 Lapeer County Road Commission Bond

Dated: February 1, 1998  
Original Issue: \$180,000

	Interest Rate	Date of Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
			2007	2006	
	4.4% - 4.9%	8/1/2006	\$ -	\$ 20,000	\$ -
	4.4% - 4.9%	2/1/2007	-	-	490
	4.4% - 4.9%	8/1/2007	20,000	20,000	490
Total Bond Payable			<u>\$ 20,000</u>	<u>\$ 40,000</u>	<u>\$ 980</u>

### 2000 Lapeer County Road Commission Bond

Dated: August 1, 2000  
Original Issue: \$540,353

	Interest Rate	Date of Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
			2007	2006	
	4.4% - 5.0%	8/1/2006	\$ -	\$ 49,123	\$ -
	4.4% - 5.0%	2/1/2007	-	-	-
	4.4% - 5.0%	8/1/2007	49,123	49,123	4,792
	4.4% - 5.0%	2/1/2008	-	-	3,606
	4.4% - 5.0%	8/1/2008	49,123	49,123	3,606
	4.4% - 5.0%	2/1/2009	-	-	2,420
	4.4% - 5.0%	8/1/2009	49,123	49,123	2,420
	4.4% - 5.0%	2/1/2010	-	-	1,210
	4.4% - 5.0%	8/1/2010	49,123	49,123	1,210
Total Bond Payable			<u>\$ 196,492</u>	<u>\$ 245,615</u>	<u>\$ 19,264</u>

### 2006 Capital Improvement Bond

Dated: October 19, 2006  
Original Issue: \$200,000

	Interest Rate	Date of Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
			2007	2006	
	4.13%	3/31/2007	\$ -	\$ 10,000	\$ -
	4.13%	10/1/2007	-	-	3,919
	4.13%	4/1/2008	35,000	35,000	3,919
	4.13%	10/1/2008	-	-	3,197
	4.13%	4/1/2009	35,000	35,000	3,197
	4.13%	10/1/2009	-	-	2,475
	4.13%	4/1/2010	40,000	40,000	2,475
	4.13%	10/1/2010	-	-	1,650
	4.13%	4/1/2011	40,000	40,000	1,650
	4.13%	10/1/2011	-	-	825
	4.13%	4/1/2012	40,000	40,000	825
	4.13%	10/1/2012	-	-	-
Total Bond Payable			<u>\$ 190,000</u>	<u>\$ 200,000</u>	<u>\$ 24,131</u>
<b>Total Bonds Payable</b>			<u><u>\$ 406,492</u></u>	<u><u>\$ 485,615</u></u>	<u><u>\$ 44,375</u></u>