

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 type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

YES NO Check each applicable box below. (See instructions for further detail.)

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature		Printed Name		License Number

MARION TOWNSHIP

REPORT ON AUDIT OF
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2006

MARION TOWNSHIP

TOWNSHIP OFFICIALS

Supervisor - Robert Hanvey
Clerk - Tammy Beal
Treasurer - Paula Wyckoff

BOARD OF TRUSTEES

Robert Hanvey
Tammy Beal
Paula Wyckoff
Daniel Lowe
David Hamann

TOWNSHIP ATTORNEYS

Miller, Kehoe & Associates

TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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PFEFFER ■ HANNIFORD ■ PALKA
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MACPA

November 2, 2006

Board of Trustees
Marion Township
2877 West Coon Lake Road
Howell, Michigan 48843

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion Township, as of and for the year ended June 30, 2006, which collectively comprise Marion Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Marion Township'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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion Township, as of June 30, 2006, 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 other required supplementary information on pages 8 through 13 and 42 and 43 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marion Township's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining and individual fund statements, 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.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis
June 30, 2006

Within this section of Marion Township's annual financial report, the Township's management is providing a narrative discussion and analysis of the financial activities of the Township for the fiscal year ended June 30, 2006. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Township's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Township-wide statement of position presenting information that includes all the Township's assets and liabilities, with the difference 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 Township as a whole is improving or deteriorating. Evaluation of the overall health of the Township may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues generated by the Township.

Both government-wide financial statements distinguish governmental activities of the Township that are principally supported by taxes and revenue sharing from the business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include such activities as general government, public safety, and planning and zoning departments. Business-type activities include the sewer system operations. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Township programs.

The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units).

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Township has three kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Proprietary funds are reported in the fund financial statements and are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Township activities.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the Township as a Whole

The Township's net assets at the end of the fiscal year were \$29,371,721. This is a \$621,378 increase over last year's net assets of \$28,750,343.

The following tables provide a summary of the Township's financial activities and changes in net assets:

**Summary of Net Assets
(Under GASB 34)**

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
ASSETS			
Current and other assets	\$ 6,732,866	\$ 18,320,319	\$ 25,053,185
Capital assets	<u>1,105,982</u>	<u>19,686,457</u>	<u>20,792,439</u>
Total assets	<u>7,838,848</u>	<u>38,006,776</u>	<u>45,845,624</u>
<u>LIABILITIES</u>			
LIABILITIES			
Other liabilities	175,453	26,536	201,989
Bonds/contracts payable	<u>3,111,914</u>	<u>13,160,000</u>	<u>16,271,914</u>
Total liabilities	<u>3,287,367</u>	<u>13,186,536</u>	<u>16,473,903</u>
<u>NET ASSETS</u>			
NET ASSETS			
Invested in capital assets, net of related debt	951,892	6,526,457	7,478,349
Unrestricted	<u>3,599,589</u>	<u>18,293,783</u>	<u>21,893,372</u>
Total net assets	<u>\$ 4,551,481</u>	<u>\$ 24,820,240</u>	<u>\$ 29,371,721</u>

**Summary of Changes in Net Assets
(Under GASB 34)**

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
REVENUES			
Program revenues			
Charges for services	\$ 210,719	\$ 150,605	\$ 361,324
Operating contributions	229,950		229,950
Capital contributions		704,621	704,621
Capital grants	18,651		18,651
General revenues			
State shared revenues	464,027		464,027
Property taxes	319,591		319,591
Interest income - cash and assessments	500,203	1,014,596	1,514,799
Other	<u>112,718</u>	<u>21</u>	<u>112,739</u>
Total revenues	<u>1,855,859</u>	<u>1,869,843</u>	<u>3,725,702</u>
EXPENSES			
General government	720,950		720,950
Parks and recreation	65,012		65,012
Public works	707,250		707,250
Interest on long-term debt	168,069		168,069
Sewer system		<u>1,443,043</u>	<u>1,443,043</u>
Total expenses	<u>1,661,281</u>	<u>1,443,043</u>	<u>3,104,324</u>
Change in net assets	194,578	426,800	621,378
BEGINNING NET ASSETS	<u>4,356,903</u>	<u>24,393,440</u>	<u>28,750,343</u>
ENDING NET ASSETS	<u>\$ 4,551,481</u>	<u>\$ 24,820,240</u>	<u>\$ 29,371,721</u>

The governmental funds net assets increased by \$194,578 principally due to a \$101,200 donation received during the year.

The business-type funds revenues exceeded expenses by \$426,800 for the year ended June 30, 2006. Of this amount \$704,621 were connection fees paid by either residents and/or developers tapping into the sewage treatment system. These connection fees are revenue upon receipt, but do not necessarily have expenses matching in the current fiscal period.

Financial Analysis of the Township's Funds

The Township had four major funds for the year ended June 30, 2006. Three of the four major funds were governmental funds which included: the General Fund, the Water System Assessment Fund, and the Water New User Fund. The sole business-type fund was the Sewer Fund.

The General Fund had revenues exceeding expenditures by \$200,922. This is the typical activity for this fund. The prior year was a net revenues in excess of expenditures of \$140,933.

The Water System Assessment Fund had revenues over expenditures totaling \$2,487 before it transferred out \$100,000 as a loan to the Water New User Fund. This fund accounts for the assessment and related debt service for the Township's participation in the MHOG water authority. The excess of revenues over expenditures will be reduced annually until the bonds have been paid off.

The Water New User Fund's expenditures exceeded revenues by \$37,929 and received an operating transfer of \$100,000 from the Water System Assessment Fund. This fund accounts for the tap-ins and unbonded assessments for the Township's participation in the MHOG water authority. The current year excess of \$37,929 is due to a water plant expansion, of which the Township paid its share of \$475,000.

The Township's sole business-type fund, the Sewer Fund, had a net income of \$426,800. This income is largely due to connection fees paid to the Township and additional infrastructure added to the collection system by developers. Title to the infrastructure is later transferred to the Township. Connection fees are income when they are assessed, but do not normally have offsetting expenses in the current period.

General Fund Budgetary Highlights

The Township adopted its budget prior to beginning operations for the year ended June 30, 2006. Total appropriations exceeded actual expenditures by \$185,566. This excess is largely due to the excess appropriations of the road and unallocated cost centers. The budget was amended during the fiscal year to bring the budget closer to economic reality before the end of the fiscal year. These amendments were fairly immaterial to the basic financial statements.

Capital Asset and Debt Administration

The governmental funds of the Township spent \$153,158 in capital outlay for land, equipment, and township hall improvements. The business-type fund, the Sewer Fund, spent \$339,872 for improvements to the sewage treatment plant's collection system.

The business type funds issued no new debt during the year, but spent \$115,000 of principal and \$564,270 of interest on existing debt. The remaining debt in the sewer fund at June 30, 2006 was \$13,160,000.

The governmental funds issued \$1,995,000 of water system refunding bonds. The Township used these bonds to advance refund \$1,875,000 of the previously issued bonds. The interest rates on the newly issued refunding bonds ranges from 2.80% to 4.00% as opposed to the previous bonds whose rates ranged from 5.25% to 5.75%. Total bonds payable outstanding at the end of the fiscal year was \$3,111,914 in the governmental funds.

Economic Conditions and Future Activities

The Township is anticipating a further drop in state revenue sharing for its general fund to continue into next year due to the declining economic environment. Development of the Township's utility systems (water and sewer) will continue at a much slower rate compared to prior years due to the significant slow down in the economy in Livingston County.

Contacting the Township's Financial Management

This report is designed to provide a general overview of the Township's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact Marion Township at 2877 West Coon Lake Road, Howell, Michigan 48843.

BASIC
FINANCIAL
STATEMENTS

GOVERNMENT-WIDE
FINANCIAL
STATEMENTS

MARION TOWNSHIP
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Primary Government			Total
	Governmental Activities	Business- type Activities	Inter- government Adjustments	
<u>ASSETS</u>				
ASSETS				
Cash and investments	\$ 2,590,205	\$ 3,037,231	\$	\$ 5,627,436
Cash and investments - restricted Receivable		1,960,703		1,960,703
Intergovernmental	7,060	82,204	(88,485)	779
State shared revenues	151,302			151,302
Accounts	33,802	51,692		85,494
Interest	19,580	18,300		37,880
Special assessments - restricted	3,852,717	12,056,916		15,909,633
Mortgage		380,939		380,939
Capital assets, net	1,105,982	19,686,457		20,792,439
Bond issuance costs, net	45,415	201,850		247,265
Deferred amount on refunding bonds, net	32,785	530,484		563,269
Total assets	7,838,848	38,006,776	(88,485)	45,757,139
<u>LIABILITIES</u>				
LIABILITIES				
Accounts payable	32,315	20,255		52,570
Accrued liabilities	29,918			29,918
Escrow deposits	31,016			31,016
Due to other funds	82,204	6,281	(88,485)	
Contracts payable				
Current	123,986			123,986
Non-current	1,222,928			1,222,928
Bonds payable - refunding				
Current	200,000	120,000		320,000
Non-current	1,565,000	13,040,000		14,605,000
Total liabilities	3,287,367	13,186,536	(88,485)	16,385,418
<u>NET ASSETS</u>				
NET ASSETS				
Invested in capital assets, net of related debt	951,892	6,526,457		7,478,349
Unrestricted	3,599,589	18,293,783		21,893,372
Total net assets	\$ 4,551,481	\$24,820,240	\$	\$29,371,721

The notes are an integral part of the financial statements.

MARION TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		
			<u>Operating Contributions</u>	<u>Capital Contributions</u>	<u>Capital Grants</u>
Governmental activities					
General government	\$ (720,950)	\$ 207,409	\$	\$	\$ 18,651
Parks and recreation	(65,012)				
Public works	(707,250)	3,310	229,950		
Interest on long-term debt	(168,069)				
Total governmental activities	(1,661,281)	210,719	229,950		18,651
Business-type activities					
Sewer system	(1,443,043)	150,605		704,621	
Total	\$ (3,104,324)	\$ 361,324	\$ 229,950	\$ 704,621	\$ 18,651

General revenues
Property taxes
State shared revenues
Interest income - special assessments
Interest income - cash and investments
Rental income
Donations
Other income

Total general revenues

Changes in net assets

Net assets, July 1, 2005

Net assets, June 30, 2006

The notes are an integral part of the financial statements.

Net (Expenses) Revenue and Changes
in Net Assets

Governmental Activities	Business- type Activities	Total
\$ (494,890)	\$	\$ (494,890)
(65,012)		(65,012)
(473,990)		(473,990)
(168,069)		(168,069)
(1,201,961)		(1,201,961)
	(587,817)	(587,817)
(1,201,961)	(587,817)	(1,789,778)
319,591		319,591
464,027		464,027
380,809	835,766	1,216,575
81,736	178,830	260,566
37,658		37,658
101,200		101,200
11,518	21	11,539
1,396,539	1,014,617	2,411,156
194,578	426,800	621,378
4,356,903	24,393,440	28,750,343
\$ 4,551,481	\$ 24,820,240	\$ 29,371,721

FUND
FINANCIAL STATEMENTS

MARION TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General Fund	Water System Assessment Fund	Water New User Fund
<u>ASSETS</u>			
ASSETS			
Cash and cash equivalents	\$ 1,332,271	\$ 970,640	\$ 114,827
Receivables			
Special assessments		3,499,857	1,402,860
State shared revenues	151,302		
Accrued interest	9,430	10,150	
Accounts	33,802		
Due from other funds	13,341		5,581
Total assets	\$ 1,540,146	\$ 4,480,647	\$ 1,523,268
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ 31,224	\$	\$
Accrued wages and absences	27,791		
Accrued pension	2,127		
Due to others	27,976		3,040
Due to other funds		81,574	12,492
Deferred revenues		3,499,857	1,402,860
Total liabilities	89,118	3,581,431	1,418,392
FUND BALANCES			
Unreserved	1,451,028		
Reserved for road maintenance			
Reserved for debt service		899,216	
Reserved for utility systems			104,876
Total fund balances	1,451,028	899,216	104,876
Total liabilities and fund balances	\$ 1,540,146	\$ 4,480,647	\$ 1,523,268

The notes are an integral part of the financial statements.

<u>Other Non-major Funds</u>	<u>Total</u>
\$ 172,467	\$ 2,590,205
	4,902,717
	151,302
	19,580
	33,802
	<u>18,922</u>
<u>\$ 172,467</u>	<u>\$ 7,716,528</u>

\$ 1,091	\$ 32,315
	27,791
	2,127
	31,016
	94,066
	<u>4,902,717</u>
<u>1,091</u>	<u>5,090,032</u>

159,245	1,610,273
12,131	12,131
	899,216
	<u>104,876</u>
<u>171,376</u>	<u>2,626,496</u>
<u>\$ 172,467</u>	<u>\$ 7,716,528</u>

MARION TOWNSHIP
RECONCILIATION OF STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
JUNE 30, 2006

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet		\$ 2,626,496
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Historical cost		\$ 1,440,117
Depreciation		<u>(334,135)</u>
Capital assets net of depreciation		1,105,982
Bond issuance costs incurred in procuring bond financing transactions are not financial resources and therefore are not reported in the funds:		
Bond issuance costs		49,415
Deferred amount on refunding bonds		35,685
Accumulated amortization		<u>(6,900)</u>
Bond issuance costs net of amortization		78,200
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Contracts payable		(1,346,914)
Bonds payable		<u>(1,765,000)</u>
Total long-term liabilities		(3,111,914)
Deferred revenues on special assessments was recognized as revenue in the government-wide statements. Assessments are income as they are assessed.		
Deferred income		4,902,717
Interfund SAD receivable		<u>(1,050,000)</u>
Total deferred revenue		<u>3,852,717</u>
Net assets of governmental activities		<u>\$ 4,551,481</u>

The notes are an integral part of the financial statements.

MARION TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>General Fund</u>	<u>Water System Assessment Fund</u>	<u>Water New User Fund</u>
REVENUES			
Taxes	\$ 319,591	\$	\$
Special assessments	61,000	488,198	266,100
State shared revenues	464,027		
Grants - state	18,651		
Licenses and permits	85,879		
Connection fees			229,950
Rental income	37,658		
Donations			
Charges for services	115,430		
Interest	35,719	42,672	1,906
Miscellaneous	<u>11,487</u>	<u> </u>	<u> </u>
Total revenues	<u>1,149,442</u>	<u>530,870</u>	<u>497,956</u>
EXPENDITURES			
General government	680,769		
Parks and recreation	65,012		
Public works	107,390		535,885
Capital outlay	49,000		
Debt service	<u>21,349</u>	<u>528,383</u>	<u> </u>
Total expenditures	<u>923,520</u>	<u>528,383</u>	<u>535,885</u>
Excess of revenues over (under) expenditures	<u>225,922</u>	<u>2,487</u>	<u>(37,929)</u>
OTHER FINANCING SOURCES (USES)			
Refunding bond proceeds		1,995,000	
Payment to bond escrow agent		(1,875,000)	
Transfers in			100,000
Transfers (out)	<u>(25,000)</u>	<u>(100,000)</u>	<u> </u>
Total other financing sources (uses)	<u>(25,000)</u>	<u>20,000</u>	<u>100,000</u>
Net change in fund balances	200,922	22,487	62,071
FUND BALANCE, JULY 1, 2005	<u>1,250,106</u>	<u>876,729</u>	<u>42,805</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 1,451,028</u>	<u>\$ 899,216</u>	<u>\$ 104,876</u>

The notes are an integral part of the financial statements.

<u>Non-major Funds</u>	<u>Total</u>
\$	\$
3,398	319,591
	818,696
	464,027
	18,651
	85,879
	229,950
	37,658
101,200	101,200
9,410	124,840
1,439	81,736
<u>31</u>	<u>11,518</u>
<u>115,478</u>	<u>2,293,746</u>
7,437	688,206
	65,012
63,975	707,250
108,034	157,034
<u></u>	<u>549,732</u>
<u>179,446</u>	<u>2,167,234</u>
<u>(63,968)</u>	<u>126,512</u>
	1,995,000
	(1,875,000)
25,000	125,000
<u></u>	<u>(125,000)</u>
<u>25,000</u>	<u>120,000</u>
(38,968)	246,512
<u>210,344</u>	<u>2,379,984</u>
<u>\$ 171,376</u>	<u>\$ 2,626,496</u>

MARION TOWNSHIP
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2006

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds	\$	246,512
<p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation is as follows:</p>		
Capital outlay	\$	153,158
Depreciation expense		<u>(28,868)</u>
Total		124,290
<p>Governmental funds report bond issuance costs as expenditures. However, in the Statement of Activities those costs are allocated over the repayment term of the bond as amortization expense. The amount by which bond issuance costs exceeded amortization is as follows:</p>		
Bond issuance costs		85,100
Amortization		<u>(6,900)</u>
Total		78,200
<p>Repayment of contracts payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:</p>		
Repayment of contracts payable		2,178,463
<p>Proceeds from bonds issued is an other financing source in the governmental funds but the issuance of bonds increases long-term debt in the Statement of Net Assets:</p>		
Proceeds from bond issued		(1,995,000)
<p>Principal received on special assessments are income as they are levied annually for governmental funds, but they are income when they are levied for the Statement of Activities.</p>		
Principal collected on assessments		(510,131)
Assessment adjusted - public works		<u>72,244</u>
Total		<u>(437,887)</u>
Change in net assets of governmental activities	\$	<u><u>194,578</u></u>

The notes are an integral part of the financial statements.

MARION TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUND - SEWER FUND
JUNE 30, 2006

ASSETS

CURRENT ASSETS

Cash and investments	\$	3,037,231
Accounts receivable - usage		51,692
Special assessments receivable - bonded		971,276
Special assessments receivable - unbonded		18,488
Mortgage receivable - bonded		18,127
Accrued interest receivable		18,300
Due from other funds		<u>82,204</u>

Total current assets \$ 4,197,318

PROPERTY, PLANT AND EQUIPMENT

Sewer collection system		13,368,037
Sewer plant		9,795,116
Computers, equipment, software		134,102
Land		<u>166,051</u>
		23,463,306
Less: accumulated depreciation		<u>3,776,849</u>

Net property, plant and equipment 19,686,457

OTHER ASSETS

Special assessments receivable - bonded		10,704,640
Special assessments receivable - unbonded		362,512
Mortgage receivable - bonded		362,812
Bond issuance costs, net		201,850
Deferred amount on refunding bonds, net		<u>530,484</u>

Total other assets 12,162,298

RESTRICTED ASSETS

Cash and cash equivalents - phase II plant		592
Investments - phase II plant		<u>1,960,111</u>

Total restricted assets 1,960,703

Total assets \$ 38,006,776

The notes are an integral part of the financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 20,255
Due to other funds	6,281
Bond payable - refunding series 2006	<u>120,000</u>

Total current liabilities	\$ 146,536
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LONG-TERM LIABILITIES

Bond payable - refunding series 2006	<u>13,040,000</u>
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Total liabilities	13,186,536
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NET ASSETS

Retained earnings	<u>24,820,240</u>
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Total liabilities and net assets	<u>\$ 38,006,776</u>
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MARION TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND - SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2006

OPERATING REVENUES		
User charges	\$ 150,605	
Connection fees - new users	466,211	
Connection fees - developer contributions	<u>238,410</u>	
Total operating revenues		\$ 855,226
OPERATING EXPENSES		
Contract labor	38,704	
Sewer usage fee	79,656	
Depreciation expense	670,954	
Utilities	7,131	
Telephone	2,873	
Administrative fees - reimbursement to general fund	6,281	
Professional fees	25,628	
Administrative fees - billing administration (Genoa Township)	16,360	
Repairs and maintenance	<u>2,676</u>	
Total operating expenses		<u>850,263</u>
Operating income		4,963
NON-OPERATING REVENUES AND (EXPENSES)		
Interest income - assessments	835,766	
Interest income - financial institutions	154,948	
Interest income - mortgage	23,882	
Other income	21	
Interest expense - debt	(564,270)	
Agent fees - debt	(500)	
Refunds - assessments, other	(9,380)	
Amortization - bond issuance costs	<u>(18,630)</u>	
Total non-operating revenue		<u>421,837</u>
Net income		426,800
NET ASSETS, JULY 1, 2005		<u>24,393,440</u>
NET ASSETS, JUNE 30, 2006		<u>\$ 24,820,240</u>

The notes are an integral part of the financial statements.

MARION TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2006

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Cash receipts from:		
Customer usage	\$	144,307
New user fees		<u>466,211</u>
Net cash from users	\$	610,518
 Cash disbursements to:		
Operating vendors		<u>(262,347)</u>
Net cash from operating activities		348,171

CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES

Special assessment collections - principal	1,137,365	
Special assessment collections - interest	859,648	
Repayments on contract payable - City of Howell	(470,700)	
Repayment of bond payable - principal	(115,000)	
Repayment of bonds and contracts payable - interest	(515,308)	
Agent fees	(500)	
Refunds	<u>(9,380)</u>	
Net cash flows from capital and related financing activities		886,125

CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES

Other income	21	
Interest income - banks and investments	148,584	
Investment purchases	(67,949)	
Sewer infrastructure additions	<u>(101,462)</u>	
Net cash flows (used in) investing activities		<u>(20,806)</u>
Increase in cash		1,213,490
Cash balance July 1, 2005		<u>1,824,333</u>
Cash balance June 30, 2006		<u>\$ 3,037,823</u>

SUPPLEMENTAL INFORMATION - NON CASH INVESTMENTS IN SEWER INFRASTRUCTURE

During the year, sewer infrastructure (collection system) increased approximately \$238,410 as a result of various developers adding sewer lines, pumps and incidentals to the Marion Township system. The developers pay for the infrastructure and once completed, transfer title to the Township. The Township is responsible for future maintenance and replacement.

RECONCILIATION OF OPERATING INCOME (LOSS)
TO NET CASH FROM (USED IN) BY OPERATING ACTIVITIES

Operating income		\$ 4,963
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		670,953
Additions to system paid by others included in connection fees		(238,410)
Change in assets and liabilities:		
Receivables, net		(24,598)
Due from other funds		73,707
Accounts and other payables		<u>(138,444)</u>
Net cash from operating activities		<u>\$ 348,171</u>

The notes are an integral part of the financial statements.

MARION TOWNSHIP
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2006

Current Tax
Fund

ASSETS

ASSETS

Cash and cash equivalents

\$ 9,612

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to other funds

\$ 779

Due to others

8,833

Total liabilities

\$ 9,612

NOTES
TO
FINANCIAL
STATEMENTS

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Township relating to the funds and account groups included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. The more significant accounting policies of the Township are described below.

A. THE REPORTING ENTITY

Marion Township is located in Livingston County, Michigan. The Township operates under a Township Board consisting of five members and provides various services to its residents. For the year ending June 30, 2007 the Township Board will consist of seven member as approved by the voters.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) in its Statement 39 for determining the various governmental organizations to be included in the financial reporting entity. The Township is the primary government having oversight responsibility and control over all activities. The Township receives funding from local and state government sources and must comply with all requirements of these funding source entities. As required by generally accepted accounting principles, the financial statements of the reporting entity include those activities of the Township (the primary government) and do not include any other component unit within its financial statements.

The following potential component units have been evaluated under the criteria established by GASB statement number 39 and determined not to be component units based on financial independence and accountability.

1. Marion, Howell, Oceola, Genoa Sewer and Water Authority (MHOG) - Marion Township appoints two members of the Authority's eight member board. The Authority is fiscally independent from the Township. The Authority is audited as an independent entity in compliance with Public Act 2.
2. Howell Area Fire Authority - Marion Township appoints one member of the Authority's six member board. The Authority was incorporated January 1, 2002 and is audited as an independent entity in compliance with Public Act 2.

B. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations or other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally the Township would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The Government-Wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Township are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for governmental funds and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds, are combined in a single column on the fund financial statements.

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The Township reports the following major governmental funds:

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.

The Water Assessment Fund accounts for all the activity associated with the activity surrounding the collection of special assessment and payment of debt service for the Township's involvement with the water authority (MHOG), which is a separate entity.

The Water New User Fund accounts for the activity associated with the collection of connection fees from water customers outside of special assessment districts. The connection fees are used for expansion purposes.

The Township reports the following major business-type fund:

The Sewer Fund accounts for all the activity associated with the operations and maintenance of operating a sewage treatment system.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues, charges for services, fines, forfeits and penalties, and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available resources.

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Modified accrual is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Township's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary fund financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise fund on the proprietary fund financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise fund is combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary fund financial statements.

The enterprise fund accounts for operations where the intent of the Township is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for any activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges of the activity, or 3) it is the policy of the Township to establish activity fees or charges to recover the cost of providing services, including capital costs.

On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Township has elected for proprietary funds not to apply Financial Accounting Standards Board statements issued after November 30, 1989.

Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township programs. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township programs.

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

D. BUDGETS AND BUDGETARY ACCOUNTING

1. A 2005 - 2006 fiscal year budget for each governmental fund was adopted by the Township Board in June of 2005. The budget includes proposed expenditures and means of financing them.
2. A public hearing is conducted to obtain taxpayers comments.
3. The budget for the General Fund and all special revenue funds are adopted on a basis consistent with generally accepted accounting principles.
4. Appropriations lapse at year end.
5. Budgeted amounts are as originally adopted or as amended by the Township Board.

E. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Township) are defined as assets with an initial, individual cost of more than \$5,000) and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Real property is considered a capital asset regardless of initial cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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

Buildings, structures and improvements	5 to 50 years
Utility plant	5 to 50 years
Machinery and equipment	2 to 40 years
Infrastructure	25 to 50 years

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

F. PROPERTY TAXES

The Township's property taxes are levied and become a lien on December 1st based on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 14th, with the final collection date of February 28th before they are added to the county delinquent tax rolls.

For the year ended June 30, 2006, the Township recognized the property taxes levied December 1, 2005 as revenue.

State Equalized Value:	\$ 489,297,889
Taxable Value:	\$ 379,388,188
Township Millage Rate for General Operations:	.82470

G. INVESTMENTS

Investments are stated at lower of cost or market.

H. CASH EQUIVALENTS

For purposes of the statement of cash flows, demand deposits and short-term investments with a maturity date of three months or less when acquired are considered to be cash equivalents.

I. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

MARION TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2006

NOTE 2 - CASH AND INVESTMENTS

State statute authorizes the Township to invest surplus funds in certificates of deposit, savings accounts and deposit accounts with banks that are members of FDIC, savings and loan associations that are insured by the FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the 3 highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are in compliance with statutory authority.

The carrying amount of the Township's deposits with financial institutions (excluding petty cash of \$300) was \$7,597,751. At June 30, 2006, bank deposits and petty cash are classified as cash of \$4,803,290 and investments of \$2,794,161 on the financial statements. At year end, the actual deposit and investment balances amounted to \$7,622,230, of this amount \$900,101 was covered by Federal Depository Insurance Corporation (FDIC) insurance, \$500,000 of money funds was covered by Securities Investor Protection Corporation (SIPC) insurance, \$1,460,703 of money funds was covered by additional insurance provided by Citigroup, \$978,258 of Government Bonds was backed by the U.S. Treasury, and \$6,662,687 was uninsured and uncollateralized.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables of the individual funds at June 30, 2006 was as follows:

	Interfund	
	Receivable	Payable
General Fund	\$ 13,340	\$
Water System Assessment Fund		81,574
Water New User Fund	5,581	12,491
Sewer Fund	82,203	6,280
Current Tax Fund		779
Total	\$ 101,124	\$ 101,124

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental fund capital assets is as follows:

	<u>Balance 7/01/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/06</u>
Land	\$ 89,387	\$ 108,034	\$	\$ 197,421
Buildings	1,169,572	26,473		1,196,045
Equipment	<u>28,000</u>	<u>18,651</u>		<u>46,651</u>
Total	1,286,959	153,158		1,440,117
Less accumulated depreciation	<u>(305,267)</u>	<u>(28,868)</u>		<u>(334,135)</u>
Net book value	<u>\$ 981,692</u>	<u>\$ 124,290</u>	<u>\$</u>	<u>\$ 1,105,982</u>

The governmental funds had \$28,868 of depreciation for the year ended June 30, 2006. All of this depreciation was allocated to the general government function in the government-wide financial statements.

As of June 30, 2006 there was \$154,090 of debt associated with the governmental capital assets.

A summary of changes in proprietary fund capital assets is as follows:

	<u>Balance 7/01/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/06</u>
Sewer collection system	\$ 13,028,165	\$ 339,872	\$	\$ 13,368,037
Sewer plant	9,795,116			9,795,116
Computers, equipment, software	134,102			134,102
Land	<u>166,051</u>			<u>166,051</u>
Total cost	23,123,434	339,872		23,463,306
Less accumulated depreciation	<u>(3,105,896)</u>	<u>(670,953)</u>		<u>(3,776,849)</u>
Net book value	<u>\$ 20,017,538</u>	<u>\$ (331,081)</u>	<u>\$</u>	<u>\$ 19,686,457</u>

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 5 - LONG-TERM DEBT

The following is a summary of the Township's debt categorized as governmental or proprietary fund for the year ended June 30, 2006:

Government Fund Bonds/Contracts Payable

1. Payable to Livingston County Department of Public Works (Series C); Joint water treatment plant and water distribution system; Interest is charged at 5.25% to 5.75% per annum, payable semi-annually; Maturity is on May 2, 2016.
2. Payable to Livingston County Department of Public Works (Series D); Joint water treatment plant and water distribution system; Interest is charged at 5.12% to 8% per annum, payable semi-annually; Maturity is on June 1, 2016.
3. Payable to Livingston County Department of Public Work (Series E); Joint water treatment plant and water distribution system; Interest is charged at 5.20% to 5.375% per annum, payable semi-annually; Maturity is on June 1, 2016.
4. Payable to First National Bank for Township Hall Expansion; Interest is charged at 3.18%, payable quarterly, maturity date is September 22, 2014.
5. Payable to Raymond James and Associates, Inc., Joint Water System Refunding Bonds (Series 2005); interest is charged at 2.80% to 4.00% per annum, payable semi-annually; maturity is on May 1, 2016.

Total governmental fund long-term debt

Proprietary Long-Term Debt-Bonds Payable

1. Payable to J.P. Morgan Securities, Inc., refunding bond, general obligation limited tax bond, Series 2006, payable in annual installments of \$115,000 to \$1,210,000 through 2019, interest varying from 3.50% to 4.20%.

Total Township long-term debt

<u>Balance 7-1-05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6-30-06</u>
\$ 1,875,000	\$	\$ 1,875,000	\$
762,037		35,185	726,852
488,194		22,222	465,972
170,146		16,056	154,090
<u> </u>	<u>1,995,000</u>	<u>230,000</u>	<u>1,765,000</u>
<u>3,295,377</u>	<u>1,995,000</u>	<u>2,178,463</u>	<u>3,111,914</u>
<u>13,275,000</u>	<u> </u>	<u>115,000</u>	<u>13,160,000</u>
<u>\$ 16,570,377</u>	<u>\$ 1,995,000</u>	<u>\$ 2,293,463</u>	<u>\$ 16,271,914</u>

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 5 - LONG-TERM DEBT - continued

The following is a schedule of principal and interest payments to service the long-term debt of the Township:

	Governmental Fund Long-Term Debt Bonds/Contracts Payable	
	Principal	Interest
	2006 - 2007	\$ 323,987
2007 - 2008	325,767	117,986
2008 - 2009	326,336	105,332
2009 - 2010	321,913	92,573
2010 - 2011	322,509	79,853
2011 - 2016	1,491,402	192,206
Total	\$ 3,111,914	\$ 718,372

	Proprietary Fund Long-Term Debt Bonds Payable	
	Principal	Interest
	2006 - 2007	\$ 120,000
2007 - 2008	1,115,000	506,910
2008 - 2009	1,110,000	466,770
2009 - 2010	1,150,000	425,145
2010 - 2011	1,135,000	382,020
2011 - 2016	5,925,000	1,241,330
2016 - 2019	2,605,000	186,706
Total	\$ 13,160,000	\$ 3,720,051

	Total	
	Principal	Interest
2006 - 2007	\$ 443,987	\$ 641,592
2007 - 2008	1,440,767	624,896
2008 - 2009	1,436,336	572,102
2009 - 2010	1,471,913	517,718
2010 - 2011	1,457,509	461,873
2011 - 2016	7,416,402	1,433,536
2016 - 2019	2,605,000	186,706
Total	\$ 16,271,914	\$ 4,438,423

MARION TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2006

NOTE 6 - SEGMENT INFORMATION - ENTERPRISE FUND

The following represents segment information for the enterprise fund:

Net income	\$ 426,800
Total assets	38,006,776
Working capital	4,050,782
Total liabilities	13,186,536
Total equity	24,820,240
Net changes in cash and cash equivalents	1,213,490

NOTE 7 - PENSION PLAN

The Township has adopted the John Hancock "New Dimensions" Pension Plan for Michigan Township employees. All elected/appointed officials and employees averaging 20 or more hours a week are eligible for participation in this single-employer plan. The Township contributes 8.0% of compensation. The employee may also voluntarily contribute up to 10% of after-tax compensation. The Township's payroll for employees covered by the plan for the year ended June 30, 2006 was \$306,190 total payroll for the year was \$331,097.

TOTAL CURRENT YEAR EMPLOYER CONTRIBUTIONS \$ 24,495

NOTE 8 - SIGNIFICANT CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Township to concentrations of credit risk consist principally of cash and investments. Risk associated with cash and investments is disclosed in Note 2.

NOTE 9 - STATEMENT OF CASH FLOWS - ENTERPRISE FUND

Pursuant to the Governmental Accounting Standards Board (GASB) statement number 9, a statement of cash flows is presented. The purpose of the statement of cash flows is to explain the change in cash and cash equivalents during the year.

The indirect method was utilized to present cash flows from operations. The following is a summary of beginning and ending cash and cash equivalents for the sewer enterprise fund:

	<u>7/01/05</u>	<u>6/30/06</u>
Current assets		
Cash and cash equivalents	<u>\$ 1,824,333</u>	<u>\$ 3,037,823</u>

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 10 - COMMITMENTS AND CONTINGENCIES

A. The Township is involved in significant legal proceedings as a defendant. The plaintiff is a development company which owns land in the sewer district. The proceedings are related to sewer special assessments. The plaintiff claims include the following:

- procedural deficiencies in the creation of special assessment districts for sewer improvements;
- and the assessment is disproportionate to the benefit to the plaintiff's property from the sewer improvement.

The total sewer assessment on the plaintiff's property is approximately \$3.3 million. The plaintiff feels the assessment is approximately three times greater than it should be. Thus, the plaintiff could be seeking a reduction in its assessment upward to \$2 million.

Management believes the likelihood of an unfavorable outcome to the Township is less than 30%.

B. The Township is currently involved in several other disputes related to various matters. Some of these disputes could result in costs to the township. An estimate of the costs could not be made as of the report date.

NOTE 11 - ECONOMIC CONCENTRATION OF RISK

The Township's sewer system had only 649 customers connected and being billed as of June 30, 2006. The sewer fund had an operating loss of \$28,704 (after subtracting connection fees and adding back depreciation expense) for the year ended June 30, 2006. The Township needs to have approximately 900 customers connected and being billed to break-even at the current rates.

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 12 - REFUNDING BOND ISSUED

On September 28, 2005 the Township issued \$1,995,000 in joint water system refunding bonds with interest rates ranging from 2.80% to 4.00%. The Township used the bond proceeds to advance refund \$1,875,000 of the Livingston County Joint Water System Bonds Series C with interest rates of 5.25% to 5.75%. The Township used the net proceeds of the refunding bond to purchase U.S. government securities. The purchased securities were deposited in an irrevocable trust to provide for all debt service on the refunded bond. As of June 30, 2006 the refunded bond was called and paid in full. The Township has removed the refunded bond from its accounts.

The advance refunding reduced total debt service payments over next ten years by nearly \$85,000. This results in an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$58,000.

REQUIRED
SUPPLEMENTARY
INFORMATION

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgets</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$	\$	\$ 319,591	\$
Licenses and permits			85,879	
State shared revenues			464,027	
Charges for services			114,587	
Other revenues			<u>165,358</u>	
Total revenues	1,035,691	1,102,231	1,149,442	47,211
EXPENDITURES	<u>1,158,775</u>	<u>1,061,875</u>	<u>923,520</u>	<u>138,355</u>
Excess of revenues over (under) expenditures	(123,084)	40,356	225,922	185,566
OTHER FINANCING (USES)				
Transfers (out)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	
Net change in fund balance	(148,084)	15,356	200,922	185,566
FUND BALANCE, JULY 1, 2005	<u>1,250,106</u>	<u>1,250,106</u>	<u>1,250,106</u>	
FUND BALANCE, JUNE 30, 2006	<u>\$ 1,102,022</u>	<u>\$ 1,265,462</u>	<u>\$ 1,451,028</u>	<u>\$ 185,566</u>

MARION TOWNSHIP
WATER SYSTEM ASSESSMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgets</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Special assessments - principal	\$	\$	\$ 296,435	\$
Special assessments - interest			191,763	
Interest income			<u>42,672</u>	
Total revenues	<u>583,000</u>	<u>583,000</u>	<u>530,870</u>	<u>(52,130)</u>
EXPENDITURES				
Debt - principal			287,407	
Debt - interest			148,046	
Other			<u>92,930</u>	
Total expenditures	<u>453,000</u>	<u>453,000</u>	<u>528,383</u>	<u>(75,383)</u>
Excess of revenues over (under) expenditures	<u>130,000</u>	<u>130,000</u>	<u>2,487</u>	<u>(127,513)</u>
OTHER FINANCING SOURCES(USES)				
Transfer (out)			(100,000)	
Proceeds of refunding bonds			1,995,000	
Payment to bond escrow agent			<u>(1,875,000)</u>	
Total other financing sources (uses)	<u>(300,000)</u>	<u>(300,000)</u>	<u>20,000</u>	<u>320,000</u>
Net change in fund balance	(170,000)	(170,000)	22,487	192,487
FUND BALANCE, JULY 1, 2005	<u>876,729</u>	<u>876,729</u>	<u>876,729</u>	
FUND BALANCE, JUNE 30, 2006	<u>\$ 706,729</u>	<u>\$ 706,729</u>	<u>\$ 899,216</u>	<u>\$ 192,487</u>

SUPPLEMENTARY
INFORMATION

COMBINING
FINANCIAL
STATEMENTS

MARION TOWNSHIP
 ALL SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2006

	Cemetery Fund	Recreation Fund
<u>ASSETS</u>		
ASSETS		
Cash	\$ 12,712	\$ 147,624
Note receivable - water new user		
Special assessments receivable		
Accrued interest receivable		
Total assets	\$ 12,712	\$ 147,624
<u>LIABILITIES AND FUND BALANCE</u>		
LIABILITIES		
Accounts payable	\$ 1,091	\$
Due to other funds		
Deferred revenue		
Total liabilities	1,091	
FUND BALANCE	11,621	147,624
Total liabilities and fund balance	\$ 12,712	\$ 147,624

<u>Loves Creek Fund</u>	<u>Road Paving Assessment Fund</u>	<u>Water System Assessment Fund</u>	<u>Totals</u>
\$ 6,935	\$ 5,196	\$ 970,640	\$ 1,143,107
		1,050,000	1,050,000
		2,449,857	2,449,857
		10,150	10,150
<u>\$ 6,935</u>	<u>\$ 5,196</u>	<u>\$ 4,480,647</u>	<u>\$ 4,653,114</u>

\$	\$	\$	\$ 1,091
		81,574	81,574
		<u>3,499,857</u>	<u>3,499,857</u>
		3,581,431	3,582,522
<u>6,935</u>	<u>5,196</u>	<u>899,216</u>	<u>1,070,592</u>
<u>\$ 6,935</u>	<u>\$ 5,196</u>	<u>\$ 4,480,647</u>	<u>\$ 4,653,114</u>

MARION TOWNSHIP
 ALL SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Cemetery Fund</u>	<u>Recreation Fund</u>	<u>Loves Creek Fund</u>
REVENUES			
Special assessments - principal	\$	\$	\$ 3,310
Special assessments - interest			
Service charges	6,100		
Interest income	31	1,043	2
Private donation		101,200	
Other income	<u>31</u>		
Total revenues	<u>6,162</u>	<u>102,243</u>	<u>3,312</u>
EXPENDITURES			
Construction and maintenance	7,437		2,975
Debt - principal			
Debt - interest			
Capital outlay		108,034	
Agent fees			
Other expenditures			
Total expenditures	<u>7,437</u>	<u>108,034</u>	<u>2,975</u>
Excess of revenues over (under) expenditures	<u>(1,275)</u>	<u>(5,791)</u>	<u>337</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		25,000	
Transfers (out)			
Proceeds of refunding bond			
Payment to bond escrow agent			
Total other financing sources (uses)		<u>25,000</u>	
Net change in fund balances	(1,275)	19,209	337
FUND BALANCE, JULY 1, 2005	<u>12,896</u>	<u>128,415</u>	<u>6,598</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 11,621</u>	<u>\$ 147,624</u>	<u>\$ 6,935</u>

<u>Road Paving Assessment Fund</u>	<u>Water System Assessment Fund</u>	<u>Totals</u>
\$ 3,100	\$ 296,435	\$ 302,845
298	191,763	192,061
		6,100
363	42,672	44,111
		101,200
		<u>31</u>
<u>3,761</u>	<u>530,870</u>	<u>646,348</u>
61,000		71,412
	287,407	287,407
	148,046	148,046
		108,034
	318	318
	<u>92,612</u>	<u>92,612</u>
<u>61,000</u>	<u>528,383</u>	<u>707,829</u>
<u>(57,239)</u>	<u>2,487</u>	<u>(61,481)</u>
		25,000
	(100,000)	(100,000)
	1,995,000	1,995,000
	<u>(1,875,000)</u>	<u>(1,875,000)</u>
	<u>20,000</u>	<u>45,000</u>
(57,239)	22,487	(16,481)
<u>62,435</u>	<u>876,729</u>	<u>1,087,073</u>
<u>\$ 5,196</u>	<u>\$ 899,216</u>	<u>\$ 1,070,592</u>

INDIVIDUAL
FUNDS

GENERAL
FUND

MARION TOWNSHIP
GENERAL FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS

Cash	\$ 1,332,271	
Accounts receivable - state	151,302	
Accrued interest receivable	9,430	
Due from others	33,802	
Due from other funds	<u>13,341</u>	
Total assets		<u>\$ 1,540,146</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 31,224	
Escrows due to developers	27,976	
Accrued wages	27,791	
Accrued pension	<u>2,127</u>	
Total liabilities		\$ 89,118

FUND BALANCE

		<u>1,451,028</u>
Total liabilities and fund balance		<u>\$ 1,540,146</u>

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 313,804	\$ 319,591	\$ 5,787
Special assessments	61,000	61,000	
Licenses and permits	86,515	85,879	(636)
State shared revenues	463,054	464,027	973
Charges for services	104,000	114,587	10,587
Other revenues	<u>73,858</u>	<u>104,358</u>	<u>30,500</u>
Total revenues	1,102,231	1,149,442	47,211
EXPENDITURES	<u>1,061,875</u>	<u>923,520</u>	<u>138,355</u>
Excess of revenues over (under) expenditures	40,356	225,922	185,566
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(25,000)</u>	<u>(25,000)</u>	
Net change in fund balances	15,356	200,922	185,566
FUND BALANCE, JULY 1, 2005	<u>1,250,106</u>	<u>1,250,106</u>	
FUND BALANCE, JUNE 30, 2006	<u>\$ 1,265,462</u>	<u>\$ 1,451,028</u>	<u>\$ 185,566</u>

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
PROPERTY TAXES	\$ 313,804	\$ 319,591	\$ 5,787
SPECIAL ASSESSMENTS	<u>61,000</u>	<u>61,000</u>	<u> </u>
LICENSES AND PERMITS			
Park pass permits		475	
Licenses, fees, permits		17,064	
Cable franchise fees		<u>68,340</u>	
Total licenses and permits	<u>86,515</u>	<u>85,879</u>	<u>(636)</u>
STATE SHARED REVENUES	<u>463,054</u>	<u>464,027</u>	<u>973</u>
CHARGES FOR SERVICES			
Meeting fees		2,950	
Tax collection administration		110,060	
Other		<u>1,577</u>	
Total charges for services	<u>104,000</u>	<u>114,587</u>	<u>10,587</u>
OTHER REVENUES			
Printing and publications		843	
Interest income		35,719	
Fire station lease		19,658	
Cell tower lease		18,000	
Capital equipment grant		18,651	
Miscellaneous		2,195	
Metro act		<u>9,292</u>	
Total other revenues	<u>73,858</u>	<u>104,358</u>	<u>30,500</u>
Total revenues	<u>\$ 1,102,231</u>	<u>\$ 1,149,442</u>	<u>\$ 47,211</u>

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
TOWNSHIP BOARD			
Salaries	\$	\$ 17,358	\$
Meetings and seminars		18	
Membership dues		5,359	
Miscellaneous		156	
Printing and publications		9,817	
Tax chargebacks		<u>1,316</u>	
Total township board	<u>32,432</u>	<u>34,024</u>	<u>(1,592)</u>
SUPERVISOR			
Salary		30,803	
Meetings and seminars		<u>1,204</u>	
Total supervisor	<u>31,789</u>	<u>32,007</u>	<u>(218)</u>
PUBLIC WORKS			
Salary		12,560	
NPDES Phase II		8,238	
Mileage		69	
Miscellaneous		<u>16</u>	
Total public works	<u>24,655</u>	<u>20,883</u>	<u>3,772</u>
ELECTIONS			
Salaries		2,381	
Supplies		1,018	
Postage		965	
Mileage		307	
Miscellaneous		<u>110</u>	
Total elections	<u>6,600</u>	<u>4,781</u>	<u>1,819</u>
PROFESSIONAL FEES			
Audit fees		9,450	
Accounting services		2,625	
Payroll services		1,245	
Software support		1,933	
Engineering fees		<u>14,472</u>	
Total professional fees	<u>39,500</u>	<u>29,725</u>	<u>9,775</u>

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
ASSESSOR			
Salaries	\$	\$ 60,483	\$
Consultant		21,766	
Dues and memberships		570	
Training and seminars		997	
Supplies		83	
Mileage		1,121	
Miscellaneous		766	
	87,910	85,786	2,124
Total assessor			
ATTORNEYS	42,500	44,968	(2,468)
CLERK			
Salaries		54,336	
Mileage		658	
Training and seminars		2,392	
Supplies		1,968	
	59,999	59,354	645
Total clerk			
BOARD OF REVIEW			
Salaries		2,175	
Supplies and publications		605	
	3,650	2,780	870
Total board of review			
TREASURER			
Salaries		59,117	
Supplies		118	
Mileage		989	
Miscellaneous		225	
	69,320	60,449	8,871
Total treasurer			

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
UNALLOCATED			
Salaries - secretary	\$	\$ 11,145	\$
Salaries - custodial		5,565	
Payroll taxes		24,954	
Insurance - health		71,572	
Insurance - general		51,189	
Pension		24,495	
Trash removal		481	
Supplies		7,152	
Equipment - maintenance		1,645	
Postage		6,545	
Grounds maintenance		6,525	
Buildings maintenance		7,545	
Telephone		4,620	
Utilities		7,608	
Internet		99	
Tax roll preparation		7,700	
Miscellaneous		5,212	
	<u> </u>	<u> </u>	<u> </u>
Total unallocated	<u>287,410</u>	<u>244,052</u>	<u>43,358</u>
CEMETERY			
Salary - Sexton		6,000	
Maintenance		139	
	<u> </u>	<u> </u>	<u> </u>
Total cemetery	<u>7,250</u>	<u>6,139</u>	<u>1,111</u>
ZONING ADMINISTRATOR			
Salary		40,064	
Miscellaneous		558	
Mileage		1,010	
	<u> </u>	<u> </u>	<u> </u>
Total zoning administrator	<u>45,660</u>	<u>41,632</u>	<u>4,028</u>

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
PLANNING COMMISSION			
Salaries	\$	\$ 8,306	\$
Consultant		19,667	
Training		37	
Printing and publications		1,327	
Miscellaneous		<u>257</u>	
Total planning commission	<u>39,000</u>	<u>29,594</u>	<u>9,406</u>
ZONING BOARD OF APPEALS			
Salaries		3,849	
Printing and publications		1,599	
Miscellaneous		<u>30</u>	
Total zoning board of appeals	<u>7,950</u>	<u>5,478</u>	<u>2,472</u>
DRAINS	<u>7,500</u>	<u>6,812</u>	<u>688</u>
ROADS			
Road maintenance		15,687	
Dust control		<u>64,008</u>	
Total roads	<u>125,000</u>	<u>79,695</u>	<u>45,305</u>
RECREATION	<u>71,750</u>	<u>65,012</u>	<u>6,738</u>
BUILDING IMPROVEMENT			
Capital outlay - building improvements		30,133	
Capital outlay - equipment		18,867	
Debt service - principal and interest		<u>21,349</u>	
Total building improvement	<u>72,000</u>	<u>70,349</u>	<u>1,651</u>
Total expenditures	<u>\$ 1,061,875</u>	<u>\$ 923,520</u>	<u>\$ 138,355</u>

CEMETERY
FUND

MARION TOWNSHIP
CEMETERY FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS
Cash

\$ 12,712

LIABILITIES AND FUND BALANCE

LIABILITIES
Accounts payable

\$ 1,091

FUND BALANCE

11,621

Total liabilities and fund balance

\$ 12,712

MARION TOWNSHIP
CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Service charges	\$ 5,000	\$ 6,100	\$ 1,100
Interest	50	31	(19)
Other income	<u> </u>	<u>31</u>	<u>31</u>
Total revenues	5,050	6,162	1,112
EXPENDITURES			
Maintenance	<u>12,200</u>	<u>7,437</u>	<u>4,763</u>
Net change in fund balance	(7,150)	(1,275)	5,875
FUND BALANCE, JULY 1, 2005	<u>12,896</u>	<u>12,896</u>	<u> </u>
FUND BALANCE, JUNE 30, 2006	<u><u>\$ 5,746</u></u>	<u><u>\$ 11,621</u></u>	<u><u>\$ 5,875</u></u>

RECREATION
FUND

MARION TOWNSHIP
RECREATION FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS
Cash

\$ 147,624

FUND BALANCE

FUND BALANCE

\$ 147,624

MARION TOWNSHIP
RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Interest income	\$	\$ 1,043	\$
Private donation		<u>101,200</u>	
Total revenues	500	102,243	101,743
EXPENDITURES			
Capital outlay	<u>150,000</u>	<u>108,034</u>	<u>41,966</u>
Excess of revenues over (under) expenditures	(149,500)	(5,791)	143,709
OTHER FINANCING SOURCES			
Transfers in	<u>25,000</u>	<u>25,000</u>	
Net change in fund balance	(124,500)	19,209	143,709
FUND BALANCE, JULY 1, 2005	<u>128,415</u>	<u>128,415</u>	
FUND BALANCE, JUNE 30, 2006	<u>\$ 3,915</u>	<u>\$ 147,624</u>	<u>\$ 143,709</u>

LOVES CREEK
FUND

MARION TOWNSHIP
LOVES CREEK FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS
Cash

\$ 6,935

FUND BALANCE

FUND BALANCE

\$ 6,935

MARION TOWNSHIP
 LOVES CREEK FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Special assessments - principal	\$ 5,000	\$ 3,310	\$ (1,690)
Interest income	<u>25</u>	<u>2</u>	<u>(23)</u>
Total revenues	5,025	3,312	(1,713)
EXPENDITURES			
Maintenance	<u>5,000</u>	<u>2,975</u>	<u>2,025</u>
Net change in fund balance	25	337	312
FUND BALANCE, JULY 1, 2005	<u>6,598</u>	<u>6,598</u>	<u> </u>
FUND BALANCE, JUNE 30, 2006	<u><u>\$ 6,623</u></u>	<u><u>\$ 6,935</u></u>	<u><u>\$ 312</u></u>

ROAD PAVING
ASSESSMENT
FUND

MARION TOWNSHIP
ROAD PAVING ASSESSMENT FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS
Cash

\$ 5,196

FUND BALANCE

FUND BALANCE

\$ 5,196

MARION TOWNSHIP
ROAD PAVING ASSESSMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Special assessments - principal	\$ 3,348	\$ 3,100	\$ (248)
Special assessments - interest		298	298
Interest income	<u>50</u>	<u>363</u>	<u>313</u>
Total revenues	3,398	3,761	363
EXPENDITURES			
Road maintenance	<u>61,000</u>	<u>61,000</u>	<u> </u>
Net change in fund balance	(57,602)	(57,239)	363
FUND BALANCE, JULY 1, 2005	<u>62,435</u>	<u>62,435</u>	<u> </u>
FUND BALANCE, JUNE 30, 2006	<u><u>\$ 4,833</u></u>	<u><u>\$ 5,196</u></u>	<u><u>\$ 363</u></u>

WATER SYSTEM
ASSESSMENT
FUND

MARION TOWNSHIP
WATER SYSTEM ASSESSMENT FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS

Cash	\$ 970,640
Special assessments and mortgage receivable	2,449,857
Accrued interest receivable	10,150
Note receivable - water new user	<u>1,050,000</u>

Total assets \$ 4,480,647

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred revenue - special assessments and mortgage receivable	\$ 2,449,857
Deferred revenue - water new user	1,050,000
Due to other funds	<u>81,574</u>

Total liabilities \$ 3,581,431

FUND BALANCE

899,216

Total liabilities and fund balance \$ 4,480,647

MARION TOWNSHIP
WATER SYSTEM ASSESSMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Special assessments - principal	\$ 325,000	\$ 296,435	\$ (28,565)
Special assessments - interest	250,000	191,763	(58,237)
Interest income	<u>8,000</u>	<u>42,672</u>	<u>34,672</u>
Total revenues	<u>583,000</u>	<u>530,870</u>	<u>(52,130)</u>
EXPENDITURES			
Debt - principal		287,407	
Debt - interest		148,046	
Agent fees		318	
Refunds		7,512	
Refunding bond issuance costs		<u>85,100</u>	
Total expenditures	<u>453,000</u>	<u>528,383</u>	<u>(75,383)</u>
Excess of revenues over (under) expenditures	<u>130,000</u>	<u>2,487</u>	<u>(127,513)</u>
OTHER FINANCING SOURCES (USES)			
Transfer (out)		(100,000)	
Proceeds of refunding bonds		1,995,000	
Payment to bond escrow agent		<u>(1,875,000)</u>	
Total other financing sources (uses)	<u>(300,000)</u>	<u>20,000</u>	<u>320,000</u>
Net change in fund balance	(170,000)	22,487	192,487
FUND BALANCE, JULY 1, 2005	<u>876,729</u>	<u>876,729</u>	
FUND BALANCE, JUNE 30, 2006	<u>\$ 706,729</u>	<u>\$ 899,216</u>	<u>\$ 192,487</u>

WATER
NEW USER
FUND

MARION TOWNSHIP
WATER NEW USER FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS

Cash		\$ 114,827
Special assessments receivable - unbonded		1,402,860
Due from other funds		<u>5,581</u>
Total assets		<u>\$ 1,523,268</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred revenue - unbonded		\$ 1,402,860
Due to other funds		12,492
Due to others		<u>3,040</u>
Total liabilities		\$ 1,418,392

FUND BALANCE

		<u>104,876</u>
Total liabilities and fund balance		<u>\$ 1,523,268</u>

MARION TOWNSHIP
WATER NEW USER FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006

REVENUES

New user fees	\$ 229,950	
Special assessments - principal	149,596	
Special assessments - interest	116,504	
Interest income	<u>1,906</u>	

Total revenues		\$ 497,956
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EXPENDITURES

Administration fees	6,282	
Construction	475,000	
Professional fees	1,650	
Refunds	<u>52,953</u>	

Total expenditures		<u>535,885</u>
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Excess of revenues over (under) expenditures		(37,929)
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OTHER FINANCING SOURCES

Transfer in		<u>100,000</u>
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Net change in fund balance		62,071
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FUND BALANCE, JULY 1, 2005		<u>42,805</u>
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FUND BALANCE, JUNE 30, 2006		<u><u>\$ 104,876</u></u>
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SEWER
FUND

MARION TOWNSHIP
SEWER FUND
STATEMENT OF REVENUES AND EXPENSES FOR OPERATIONS ONLY
FOR THE YEARS ENDED JUNE 30, 2006, 2005, 2004, 2003 AND 2002

	<u>6-30-06</u>	<u>6-30-05</u>	<u>6-30-04</u>	<u>6-30-03</u>	<u>6-30-02</u>
REVENUE					
User charges - quarterly charges for usage	<u>\$ 150,605</u>	<u>\$ 119,196</u>	<u>\$ 82,997</u>	<u>\$ 51,546</u>	<u>\$ 26,503</u>
EXPENSES					
Contract labor	38,704	34,872	34,176	29,014	21,468
Sewer usage fee	79,656	77,136	76,128	67,525	64,962
Utilities	7,131	5,156	4,715	4,845	4,350
Telephone	2,873	2,781	2,789	2,785	2,751
Administrative fees - reimbursement to general fund	6,281	6,253	8,059	10,947	2,615
Administrative fees - billing admin. (Genoa Twp.)	16,360	11,457	12,134	5,745	2,935
Professional fees	25,628	11,532	5,485	1,560	3,500
Repairs and maintenance	<u>2,676</u>	<u>33,819</u>	<u>14,109</u>	<u> </u>	<u> </u>
Total expenses	<u>179,309</u>	<u>183,006</u>	<u>157,595</u>	<u>122,421</u>	<u>102,581</u>
Net operating (loss)	<u>\$ (28,704)</u>	<u>\$ (63,810)</u>	<u>\$ (74,598)</u>	<u>\$ (70,875)</u>	<u>\$ (76,078)</u>

This schedule is prepared to present revenues and expenses related to current operations only (excludes tap-in fees and depreciation) and as such does not present the results of operations on the basis of generally accepted accounting principles but is presented for supplemental information.

MARION TOWNSHIP
SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
User charges	\$ 110,000	\$ 150,605	\$ 40,605
Interest income - assessments	875,000	835,766	(39,234)
Interest income - bank	50,000	154,948	104,948
Interest income - mortgage		23,882	23,882
Connection fees - developer contributions	230,000	238,410	8,410
Connection fees	490,000	466,211	(23,789)
Other income	<u>2,000</u>	<u>21</u>	<u>(1,979)</u>
Total revenues	<u>1,757,000</u>	<u>1,869,843</u>	<u>112,843</u>
EXPENSES			
Amortization - bond issuance costs		18,630	(18,630)
Debt-interest expense	800,000	564,270	235,730
Maintenance of system (contract labor)	75,000	38,704	36,296
Administrative fees - billing admin.	12,000	16,360	(4,360)
Professional fees	110,000	25,628	84,372
Administrative fees - reimbursement to general fund	6,500	6,281	219
Supplies/fees	1,000		1,000
Repairs and maintenance	15,000	2,676	12,324
Utilities	8,000	7,131	869
Sewer usage	70,000	79,656	(9,656)
Depreciation	710,000	670,954	39,046
Telephone	4,500	2,873	1,627
Other	<u>7,500</u>	<u>9,880</u>	<u>(2,380)</u>
Total expenses	<u>1,819,500</u>	<u>1,443,043</u>	<u>376,457</u>
NET REVENUES AND EXPENSES	(62,500)	426,800	489,300
BEGINNING RETAINED EARNINGS	<u>24,393,440</u>	<u>24,393,440</u>	<u></u>
ENDING RETAINED EARNINGS	<u>\$ 24,330,940</u>	<u>\$ 24,820,240</u>	<u>\$ 489,300</u>

This schedule is prepared on a budgetary basis for the enterprise fund and as such does not present the results of operations on the basis of generally accepted accounting principles but is presented for supplemental information.

MARION TOWNSHIP
SEWER FUND
STATEMENT OF CHANGES IN FUND EQUITY
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Retained Earnings Reserved</u>	<u>Retained Earnings (Deficit) Unreserved</u>	<u>Total</u>
BALANCES, JULY 1, 2005	\$ 24,678,801	\$ (285,361)	\$ 24,393,440
Operating (loss) excluding connection fees and depreciation expense		(28,704)	(28,704)
Connection fees	704,621		704,621
Depreciation (expense)	(670,954)		(670,954)
Interest income	1,014,596		1,014,596
Other income	21		21
Interest (expense) - debt	(564,270)		(564,270)
Agent (fees) - debt	(500)		(500)
Refunds - assessments (expense)	(6,856)		(6,856)
Unrealized (loss) on investments	(123)		(123)
Realized (loss) on investments	(2,401)		(2,401)
Amortization - bond issuance costs	<u>(18,630)</u>		<u>(18,630)</u>
BALANCES, JUNE 30, 2006	<u>\$ 25,134,305</u>	<u>\$ (314,065)</u>	<u>\$ 24,820,240</u>

CURRENT
TAX
FUND

MARION TOWNSHIP
CURRENT TAX FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS
Cash

\$ 9,612

LIABILITIES

LIABILITIES
Due to other funds
Due to others

\$ 779
8,833

Total liabilities

\$ 9,612



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
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November 2, 2006

Board of Trustees
Marion Township
2877 West Coon Lake Road
Howell, MI 48843

Honorable Board of Trustees:

During our audit fieldwork for the year ending June 30, 2006 we came across a few items we would like to discuss with you.

1. COMMENT

All bank reconciliations are being prepared by the deputy clerk. The deputy clerk also records the financial transactions in the general fund.

RECOMMENDATION

Someone outside the clerk's office should prepare the bank reconciliations for the general fund to better segregate duties in the interest of improved internal controls.

2. COMMENT

The Township had several interfund payables and receivables at June 30, 2006.

RECOMMENDATION

These inter-fund balances should be paid to the loaning funds as soon as possible.

3. COMMENT

We noted an instance in which sales taxes had been paid to a vendor.

RECOMMENDATION

Sales tax exemptions certificates should be provided to new vendors to notify them that the township is exempt from sales taxes.

4. COMMENT

The Township's sewer Operations and Maintenance Fund has accumulated significant losses over the past five years which total over \$310,000 as follows:

<u>Year Ending</u>	<u>Loss</u>
June 30, 2002	\$ 76,078
June 30, 2003	70,875
June 30, 2004	74,598
June 30, 2005	63,810
June 30, 2006	<u>28,704</u>
	<u>\$ 314,065</u>

RECOMMENDATION

The Township should consider evaluating its rates.

We would like to thank the township officials and employees that assisted us during the audit process for their cooperation.

If you should have any questions, comments or concerns please do not hesitate to call us.

This report is intended solely for the information and use of the Board of Trustees and management of Marion Township and is not intended to be and should not be used by anyone other than the specified parties.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants