

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

ANNUAL
FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2007

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
Les Andersen
Travis Hodge

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

October 12, 2007

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, 2007, 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, 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 other required supplementary information on pages 7 through 12 and 43 and 44 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, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis
June 30, 2007

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, 2007. 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 \$29,863,416. This is a \$491,695 increase over last year's net assets of \$29,371,721.

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

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

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year 2007	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2006
<u>ASSETS</u>						
ASSETS						
Current and other assets	\$ 6,609,956	\$ 6,732,866	\$ 18,479,364	\$ 18,320,319	\$ 25,089,320	\$ 25,053,185
Capital assets	<u>1,128,408</u>	<u>1,105,982</u>	<u>19,669,905</u>	<u>19,686,457</u>	<u>20,798,313</u>	<u>20,792,439</u>
Total assets	<u>7,738,364</u>	<u>7,838,848</u>	<u>38,149,269</u>	<u>38,006,776</u>	<u>45,887,633</u>	<u>45,845,624</u>
<u>LIABILITIES</u>						
LIABILITIES						
Other liabilities	167,811	175,453	28,478	26,536	196,289	201,989
Bonds/contracts payable	<u>2,787,928</u>	<u>3,111,914</u>	<u>13,040,000</u>	<u>13,160,000</u>	<u>15,827,928</u>	<u>16,271,914</u>
Total liabilities	<u>2,955,739</u>	<u>3,287,367</u>	<u>13,068,478</u>	<u>13,186,536</u>	<u>16,024,217</u>	<u>16,473,903</u>
<u>NET ASSETS</u>						
NET ASSETS						
Invested in capital assets, net of related debt	990,897	951,892	6,629,905	6,526,457	7,620,802	7,478,349
Unrestricted	<u>3,791,728</u>	<u>3,599,589</u>	<u>18,450,886</u>	<u>18,293,783</u>	<u>22,242,614</u>	<u>21,893,372</u>
Total net assets	<u>\$ 4,782,625</u>	<u>\$ 4,551,481</u>	<u>\$ 25,080,791</u>	<u>\$ 24,820,240</u>	<u>\$ 29,863,416</u>	<u>\$ 29,371,721</u>

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

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year 2007	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2006
REVENUES						
Program revenues						
Charges for services	\$ 212,767	\$ 210,719	\$ 155,289	\$ 150,605	\$ 368,056	\$ 361,324
Operating contributions		229,950				229,950
Capital contributions			677,000	704,621	677,000	704,621
Capital grants	27,671	18,651			27,671	18,651
General revenues						
State shared revenues	453,837	464,027			453,837	464,027
Property taxes	347,123	319,591			347,123	319,591
Interest income - cash and assessments	380,603	500,203	887,825	1,014,596	1,268,428	1,514,799
Other	47,846	112,718	10,680	21	58,526	112,739
Total revenues	1,469,847	1,855,859	1,730,794	1,869,843	3,200,641	3,725,702
EXPENSES						
General government	848,772	720,950			848,772	720,950
Parks and recreation	67,991	65,012			67,991	65,012
Public works	182,218	707,250			182,218	707,250
Interest on long-term debt	139,722	168,069			139,722	168,069
Sewer system			1,470,243	1,443,043	1,470,243	1,443,043
Total expenses	1,238,703	1,661,281	1,470,243	1,443,043	2,708,946	3,104,324
Change in net assets	231,144	194,578	260,551	426,800	491,695	621,378
BEGINNING NET ASSETS	4,551,481	4,356,903	24,820,240	24,393,440	29,371,721	28,750,343
ENDING NET ASSETS	\$ 4,782,625	\$ 4,551,481	\$ 25,080,791	\$ 24,820,240	\$ 29,863,416	\$ 29,371,721

The governmental activity net assets increased by \$231,144 principally due to a decrease on public works as the expansion of the Marion Howell Ocala Genoa (MHOOG) water plant was completed in the prior fiscal year.

The business-type activity revenues exceeded expenses by \$260,551 for the year ended June 30, 2007. Of this amount \$677,000 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, 2007. 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 proprietary fund was the Sewer Fund.

The General Fund had revenues exceeding expenditures by \$47,151. This is the typical activity for this fund. The prior year was a net in revenues in excess of expenditures of \$200,922.

The Water System Assessment Fund had revenues over expenditures totaling \$35,106. This fund accounts for the assessment and related debt service for the Township's participation in the Marion Howell Ocala Genoa (MHOOG) 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 \$226,273. This fund accounts for the tap-ins and unbonded assessments for the Township's participation in the Marion Howell Ocala Genoa (MHOOG) water authority.

The Township's sole business-type fund, the Sewer Fund, had a net income of \$260,551. 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, 2007. Total appropriations exceeded actual expenditures by \$42,234. This excess is largely due to the excess appropriations for legal expenditures. 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 \$54,617 in capital outlay for township hall improvements and park construction. The proprietary fund, the Sewer Fund, spent \$2,738 for improvements to the sewage treatment plant's collection system and developers contributed \$665,000 worth of sewer collection lines.

The business type funds issued no new debt during the year, but spent \$120,000 of principal and \$560,132 of interest on existing debt. The remaining debt in the proprietary funds at June 30, 2007 was \$13,040,000.

The governmental funds issued no new debt during the year, but spent \$323,986 of principal and \$130,423 of interest on existing debt. The remaining debt in the governmental funds at June 30, 2007 was \$2,787,928.

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, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Inter- government Eliminations</u>	<u>Total</u>
<u>ASSETS</u>				
ASSETS				
Cash and investments	\$ 2,882,655	\$ 4,252,259	\$	\$ 7,134,914
Cash and investments - restricted		2,066,538		2,066,538
Receivable				
Intergovernmental	11,097	1,467	(9,006)	3,558
State shared revenues	146,114			146,114
Accounts	4,042	63,431		67,473
Interest	31,141	8,450		39,591
Special assessments - restricted	3,464,987	11,050,545		14,515,532
Mortgage		380,938		380,938
Capital assets, net	1,128,408	19,669,905		20,798,313
Bond issuance costs, net	40,615	183,220		223,835
Deferred amount on refunding bonds, net	29,305	481,522		510,827
	<u>7,738,364</u>	<u>38,158,275</u>	<u>(9,006)</u>	<u>45,887,633</u>
Total assets				
<u>LIABILITIES</u>				
LIABILITIES				
Accounts payable	136,643	28,478		165,121
Accrued liabilities	30,857			30,857
Due to other funds	311	9,006	(9,006)	311
Contracts payable				
Current	130,766			130,766
Non-current	1,092,162			1,092,162
Bonds payable - refunding				
Current	195,000	1,115,000		1,310,000
Non-current	1,370,000	11,925,000		13,295,000
	<u>2,955,739</u>	<u>13,077,484</u>	<u>(9,006)</u>	<u>16,024,217</u>
Total liabilities				
<u>NET ASSETS</u>				
NET ASSETS				
Invested in capital assets, net of related debt	990,897	6,629,905		7,620,802
Unrestricted	3,791,728	18,450,886		22,242,614
	<u>\$ 4,782,625</u>	<u>\$ 25,080,791</u>	<u>\$</u>	<u>\$ 29,863,416</u>
Total net assets				

The notes are an integral part of the financial statements.

MARION TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Programs Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Capital Contributions	Capital Grants	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
General government	\$ (848,772)	\$ 207,667	\$	\$ 27,671	\$ (613,434)	\$	\$ (613,434)
Parks and recreation	(67,991)				(67,991)		(67,991)
Public works	(182,218)	5,100			(177,118)		(177,118)
Interest on long-term debt	(139,722)				(139,722)		(139,722)
Total governmental activities	<u>(1,238,703)</u>	<u>212,767</u>		<u>27,671</u>	<u>(998,265)</u>		<u>(998,265)</u>
Business-type activities							
Sewer system	<u>(1,470,243)</u>	<u>155,289</u>	<u>677,000</u>			<u>(637,954)</u>	<u>(637,954)</u>
Total	<u>\$ (2,708,946)</u>	<u>\$ 368,056</u>	<u>\$ 677,000</u>	<u>\$ 27,671</u>	<u>(998,265)</u>	<u>(637,954)</u>	<u>(1,636,219)</u>
General revenues							
					347,123		347,123
					453,837		453,837
					264,974	641,859	906,833
					115,629	245,966	361,595
					37,658		37,658
					10,188	10,680	20,868
					<u>1,229,409</u>	<u>898,505</u>	<u>2,127,914</u>
					231,144	260,551	491,695
					<u>4,551,481</u>	<u>24,820,240</u>	<u>29,371,721</u>
					<u>\$ 4,782,625</u>	<u>\$ 25,080,791</u>	<u>\$ 29,863,416</u>

The notes are an integral part of the financial statements.

FUND
FINANCIAL STATEMENTS

MARION TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General Fund</u>	<u>Water System Assessment Fund</u>	<u>Water New User Fund</u>	<u>Other Non-major Funds</u>	<u>Total</u>
<u>ASSETS</u>					
ASSETS					
Cash and cash equivalents	\$ 1,473,516	\$ 923,082	\$ 340,270	\$ 145,787	\$ 2,882,655
Receivables					
Special assessments		3,230,935	1,284,052		4,514,987
State shared revenues	146,114				146,114
Accrued interest	19,151	11,990			31,141
Accounts	4,042				4,042
Due from other funds	20,433			3,387	23,820
Total assets	<u>\$ 1,663,256</u>	<u>\$ 4,166,007</u>	<u>\$ 1,624,322</u>	<u>\$ 149,174</u>	<u>\$ 7,602,759</u>
 <u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES					
Accounts payable	\$ 130,522	\$	\$	\$ 4,706	\$ 135,228
Accrued wages and absences	28,715				28,715
Accrued pension	2,142				2,142
Due to others			1,415		1,415
Due to other funds	3,698	750	7,706	880	13,034
Deferred revenues		3,230,935	1,284,052		4,514,987
Total liabilities	<u>165,077</u>	<u>3,231,685</u>	<u>1,293,173</u>	<u>5,586</u>	<u>4,695,521</u>
FUND BALANCES					
Unreserved	1,498,179			141,932	1,640,111
Designated for road maintenance				1,656	1,656
Designated for debt service		934,322			934,322
Designated for utility systems			331,149		331,149
Total fund balances	<u>1,498,179</u>	<u>934,322</u>	<u>331,149</u>	<u>143,588</u>	<u>2,907,238</u>
Total liabilities and fund balances	<u>\$ 1,663,256</u>	<u>\$ 4,166,007</u>	<u>\$ 1,624,322</u>	<u>\$ 149,174</u>	<u>\$ 7,602,759</u>

The notes are an integral part of the financial statements.

MARION TOWNSHIP
RECONCILIATION OF STATEMENT OF NET ASSETS OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
JUNE 30, 2007

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

Total fund balance per balance sheet		\$ 2,907,238
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Historical cost	\$ 1,494,734	
Depreciation	<u>(366,326)</u>	
Capital assets net of depreciation		1,128,408
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>(15,180)</u>	
Bond issuance costs net of amortization		69,920
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Contracts payable	(1,222,928)	
Bonds payable	<u>(1,565,000)</u>	
Total long-term liabilities		(2,787,928)
Deferred revenues on special assessments was recognized as revenue in the government-wide statements. Assessments are income as they are assessed.		
Deferred income	4,514,987	
Interfund SAD receivable	<u>(1,050,000)</u>	
Total deferred revenue		<u>3,464,987</u>
Net assets of governmental activities		<u>\$ 4,782,625</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, 2007

	General Fund	Water System Assessment Fund	Water New User Fund	Other Non-major Funds	Total
REVENUES					
Taxes	\$ 347,123	\$	\$	\$	\$ 347,123
Special assessments		423,957	228,747		652,704
State shared revenues	453,837				453,837
Grants - state	27,671				27,671
Licenses and permits	81,333				81,333
Rental income	37,658				37,658
Charges for services	126,334			5,100	131,434
Interest	62,485	45,228	5,231	2,685	115,629
Miscellaneous	10,117			71	10,188
Total revenues	1,146,558	469,185	233,978	7,856	1,857,577
EXPENDITURES					
General government	798,051			11,887	809,938
Parks and recreation	1,641			66,350	67,991
Public works	171,703		7,705	2,810	182,218
Capital outlay	9,952			51,308	61,260
Debt service	21,349	434,079			455,428
Total expenditures	1,002,696	434,079	7,705	132,355	1,576,835
Excess of revenues over (under) expenditures	143,862	35,106	226,273	(124,499)	280,742
OTHER FINANCING SOURCES (USES)					
Transfers in	3,000			99,711	102,711
Transfers (out)	(99,711)			(3,000)	(102,711)
Total other financing sources (uses)	(96,711)			96,711	
Net change in fund balances	47,151	35,106	226,273	(27,788)	280,742
FUND BALANCE, JULY 1, 2006	1,451,028	899,216	104,876	171,376	2,626,496
FUND BALANCE, JUNE 30, 2007	\$ 1,498,179	\$ 934,322	\$ 331,149	\$ 143,588	\$ 2,907,238

The notes are an integral part of the financial statements.

PFEFFER, HANNIFORD & PALKA

Certified Public Accountants

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, 2007

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

Net change in fund balances - governmental funds	\$	280,742
<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	\$	54,617
Depreciation expense		<u>(32,191)</u>
Total		22,426
<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.</p>		
Amortization of bond issuance costs		(8,280)
<p>Repayment of long-term debt 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		123,986
Repayment of bonds payable		<u>200,000</u>
Total		323,986
<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		(382,150)
Assessment adjusted - public works		<u>(5,580)</u>
Total		<u>(387,730)</u>
Change in net assets of governmental activities	\$	<u><u>231,144</u></u>

The notes are an integral part of the financial statements.

MARION TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUND - SEWER FUND
JUNE 30, 2007

ASSETS

CURRENT ASSETS

Cash and investments	\$ 4,252,259	
Accounts receivable - usage	61,289	
Special assessments receivable - bonded	732,828	
Special assessments receivable - unbonded	18,487	
Accrued interest receivable	8,450	
Due from other funds	1,467	
Due from others	<u>2,142</u>	
 Total current assets		 \$ 5,076,922

PROPERTY, PLANT AND EQUIPMENT

Sewer collection system	14,035,775	
Sewer plant	9,795,116	
Computers, equipment, software	134,102	
Land	<u>166,051</u>	
	24,131,044	
Less: accumulated depreciation	<u>4,461,139</u>	
 Net property, plant and equipment		 19,669,905

OTHER ASSETS

Special assessments receivable - bonded	9,961,954	
Special assessments receivable - unbonded	337,276	
Mortgage receivable - bonded	380,938	
Bond issuance costs, net	183,220	
Deferred amount on refunding bonds, net	<u>481,522</u>	
 Total other assets		 11,344,910

RESTRICTED ASSETS

Investments - phase II plant		<u>2,066,538</u>
 Total assets		 <u><u>\$ 38,158,275</u></u>

The notes are an integral part of the financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	28,478	
Due to other funds	9,006	
Bond payable - refunding series 2007	<u>1,115,000</u>	
Total current liabilities		\$ 1,152,484

LONG-TERM LIABILITIES

Bond payable - refunding series 2007		<u>11,925,000</u>
Total liabilities		13,077,484

NET ASSETS

Retained earnings		<u>25,080,791</u>
Total liabilities and net assets		<u><u>\$ 38,158,275</u></u>

MARION TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND - SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2007

OPERATING REVENUES		
User charges		\$ 155,289
OPERATING EXPENSES		
Contract labor	\$ 36,824	
Sewer usage fee	76,836	
Depreciation expense	684,289	
Utilities	6,813	
Telephone	3,055	
Administrative fees - reimbursement to general fund	4,656	
Professional fees	59,383	
Administrative fees - billing administration (Genoa Township)	17,551	
Repairs and maintenance	<u>1,246</u>	
Total operating expenses		<u>890,653</u>
Operating (loss)		(735,364)
NON-OPERATING REVENUES AND (EXPENSES)		
Interest income - assessments	641,859	
Interest income - cash and investments	245,966	
Other income	10,680	
Interest expense - debt	(560,132)	
Agent fees - debt	(828)	
Amortization - bond issuance costs	<u>(18,630)</u>	
Total non-operating revenue		318,915
CAPITAL CONTRIBUTIONS		
Connection fees - new users	12,000	
Connection fees - developer contributions	<u>665,000</u>	
Total capital contributions		<u>677,000</u>
Net income		260,551
NET ASSETS, JULY 1, 2006		<u>24,820,240</u>
NET ASSETS, JUNE 30, 2007		<u><u>\$ 25,080,791</u></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, 2007

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Cash receipts from:

Customer usage	\$ 154,232
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Cash disbursements to:

Operating vendors	<u>(114,679)</u>
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Net cash from operating activities	39,553
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CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES

Special assessment collections - principal	\$ 982,700
Special assessment collections - interest	665,530
Connection fees received	12,000
Repayment of bond payable - principal	(120,000)
Repayment of bonds and contracts payable - interest	(511,170)
Agent fees	<u>(828)</u>

Net cash flows from capital and related financing activities	1,028,232
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CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES

Investment redemption proceeds	4,938,880
Interest income - cash and investments	258,551
Investment purchases	(5,048,042)
Sewer infrastructure additions	<u>(2,738)</u>

Net cash flows from investing activities	<u>146,651</u>
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Increase in cash and cash equivalents	1,214,436
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BALANCE, JULY 1, 2006	<u>3,037,823</u>
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BALANCE, JUNE 30, 2007	<u><u>\$ 4,252,259</u></u>
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The notes are an integral part of the financial statements.

MARION TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - SEWER FUND - (continued)
FOR THE YEAR ENDED JUNE 30, 2007

SUPPLEMENTAL INFORMATION - NON CASH INVESTMENTS IN SEWER INFRASTRUCTURE

During the year, sewer infrastructure (collection system) increased approximately \$665,000 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 (loss)	\$ (735,364)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation expense	684,289
Other income	10,680
Change in assets and liabilities:	
Receivables, net	(11,737)
Due from other funds	80,737
Accounts and other payables	<u>10,948</u>
Net cash from operating activities	<u>\$ 39,553</u>

The notes are an integral part of the financial statements.

MARION TOWNSHIP
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2007

	Current Tax Fund	Escrow Fund	Total
<u>ASSETS</u>			
ASSETS			
Cash	\$ 2,052	\$ 32,057	\$ 34,109
Due from other funds	311		311
Total assets	\$ 2,363	\$ 32,057	\$ 34,420
<u>LIABILITIES</u>			
LIABILITIES			
Due to other funds	\$ 1,467	\$ 2,091	\$ 3,558
Due to others	896	29,966	30,862
Total liabilities	\$ 2,363	\$ 32,057	\$ 34,420

The notes are an integral part of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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 seven members and provides various services to its residents.

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, 2007

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.

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.

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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, 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.

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

D. BUDGETS AND BUDGETARY ACCOUNTING

1. A 2006 - 2007 fiscal year budget for each governmental fund was adopted by the Township Board in June of 2006. 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, 2007

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, 2007, the Township recognized the property taxes levied December 1, 2006 as revenue.

State Equalized Value:	\$	529,202,996
Taxable Value:	\$	415,706,166
Township Millage Rate for General Operations:		.82160

G. INVESTMENTS

Investments are stated at market value, except investments in high quality commercial paper which is stated at amortized cost.

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, 2007

NOTE 2 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes Townships to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations. The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures 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 that 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.

The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the investments mentioned in the preceding paragraph. The Township has designated thirteen banks for the deposit of its funds.

The Township's cash and investments are exposed to various risks as explained in greater detail in the following paragraphs:

Custodial Credit Risk

- Deposits - Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Township's deposits may not be returned to the Township.

As of June 30, 2007, deposits in banks totaled \$7,176,503 which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 1,000,431
Uninsured and Uncollateralized	<u>6,176,072</u>
	<u>\$ 7,176,503</u>

The Township's investment policy does not address this risk.

- Investments - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments, collateral or securities that are in the possession of an outside party.

As of June 30, 2007 the Townships investments were exposed to custodial credit risk as follows:

Insured by SIPC	\$ 500,000
Insured by commercial insurance	<u>1,566,538</u>
	<u>\$ 2,066,538</u>

MARION TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2007

NOTE 2 - DEPOSITS AND INVESTMENTS - continued

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations.

As of June 30, 2007 the Township's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>	<u>Moody's Investor Services</u>
Commercial Paper	AAA	Aaa
SB Money Funds	Unrated	Unrated

The Townships investment policy addresses credit risk and investments held at June 30, 2007 comply with the policy and statutory authority.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single user.

At June 30, 2007 the Township's investment portfolio was concentrated as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Percentage of Portfolio</u>
General Electric	Commercial Paper	100%

The Township's investment policy does not address this risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may negatively affect the fair value of an investment.

<u>Investment</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity</u>
Commercial Paper	\$ 1,024,684	\$ 1,029,400	180 days
Commercial Paper	1,032,318	1,037,000	180 days
SB Money Funds	138	138	Daily
Total	<u>\$ 2,057,140</u>	<u>\$ 2,066,538</u>	

The Township's investment policy does not address this risk.

MARION TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2007

NOTE 3 - INTERFUND TRANSACTIONS AND BALANCES

Interfund transfers for the year ended June 30, 2007 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>	<u>Amount</u>
Recreation	General Fund	Pay operating expenditures	\$ 90,211
Cemetery	General Fund	Pay operating expenditures	9,500
General Fund	Loves Creek	Repay amounts loaned	<u>3,000</u>
			<u><u>\$ 102,711</u></u>

Interfund receivables and payables between individual funds of the Township, as reported in the fund financial statements, as of June 30, 2007:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>June 30, 2007 Balance</u>
General Fund	Sewer Fund	\$ 9,006
General Fund	Recreation Fund	380
General Fund	Water Special Revenue	750
General Fund	Road Paving	500
General Fund	Escrow Fund	2,091
General Fund	Water New User	7,706
Sewer Fund	Tax Fund	1,467
Tax Fund	General Fund	311
Cemetery Fund	General Fund	<u>3,387</u>
		<u><u>\$ 25,598</u></u>

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 4 - CAPITAL ASSETS

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

	Balance 7/1/2006	Additions	Deletions	Balance 6/30/2007
Land	\$ 197,421	\$	\$	\$ 197,421
Buildings	1,196,045	8,750		1,204,795
Equipment	46,651			46,651
Construction in progress		45,867		45,867
Total	1,440,117	54,617		1,494,734
Less accumulated depreciation	(334,135)	(32,191)		(366,326)
Net book value	\$ 1,105,982	\$ 22,426	\$	\$ 1,128,408

The governmental funds had \$32,191 of depreciation for the year ended June 30, 2007. All of this depreciation was allocated to the general government function in the government-wide financial statements.

As of June 30, 2007 there was \$137,511 of debt associated with the governmental capital assets.

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

	Balance 7/1/2006	Additions	Deletions	Balance 6/30/2007
Sewer collection system	\$ 13,368,037	\$ 667,738	\$	\$ 14,035,775
Sewer plant	9,795,116			9,795,116
Computers, equipment, software	134,102			134,102
Land	166,051			166,051
Total cost	23,463,306	667,738		24,131,044
Less accumulated depreciation	(3,776,850)	(684,289)		(4,461,139)
Net book value	\$ 19,686,456	\$ (16,551)	\$	\$ 19,669,905

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 5 - LONG-TERM DEBT

Contracts Payable

The Township entered into a contract to repay bonds issued by Livingston County in which the proceeds of such bonds were used to construct a joint water system with three other townships. Currently, contracts payable are outstanding for governmental activities only.

Contracts payable currently outstanding are as follows:

Purpose	Issuance Amount	Installments	Final Maturity	Interest Rates	Debt Outstanding
Governmental activities:					
Livingston County Joint Water System Series D	\$ 1,125,000	\$ 35,185 — \$ 72,685	6/1/2016	5.12 — 8.0%	\$ 654,167
Livingston County Joint Water System Series E	\$ 743,750	\$ 22,222 — \$ 53,472	6/1/2016	5.20 — 5.375%	<u>431,250</u>
Total contracts payable outstanding					<u><u>\$ 1,085,417</u></u>

Annual debt service requirements to maturity for contracts payable are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2008	\$ 113,657	\$ 59,644
2009	113,657	53,409
2010	113,657	47,175
2011	113,657	40,941
2012	126,157	34,706
2013 - 2016	<u>504,632</u>	<u>69,567</u>
	<u><u>\$ 1,085,417</u></u>	<u><u>\$ 305,442</u></u>

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 5 - LONG-TERM DEBT - continued

General Obligation Bonds

The Township issued general obligation bonds to provide funds to advance refund bonds. General obligation bonds are outstanding for general government and business-type activities.

General obligation bonds currently outstanding are as follows:

Purpose	Issuance Amount	Installments	Final Maturity	Interest Rates	Debt Outstanding
Governmental activities:					
2005 Joint Water System refunding bonds	\$ 1,995,000	\$ 75,000 — \$ 230,000	5/1/2016	2.8 — 4.0%	\$ 1,565,000
Business-type activities:					
2005 Sanitary Sewer refunding bonds	\$ 13,525,000	\$ 115,000 — \$ 1,210,000	6/1/2019	3.5 — 4.2%	<u>13,040,000</u>
Total general obligation bonds					<u>\$ 14,605,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 195,000	\$ 54,103	\$ 1,115,000	\$ 506,910
2009	195,000	48,252	1,110,000	466,770
2010	190,000	42,305	1,150,000	425,145
2011	190,000	36,415	1,135,000	382,020
2012	185,000	30,240	1,170,000	338,890
2013 - 2017	610,000	53,925	5,935,000	1,009,606
2018 - 2019			<u>1,425,000</u>	<u>79,538</u>
	<u>\$ 1,565,000</u>	<u>\$ 265,240</u>	<u>\$ 13,040,000</u>	<u>\$ 3,208,879</u>

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 5 - LONG-TERM DEBT - continued

Installment Loan Payable

The Township financed the expansion of its central offices through an installment loan payable to a local bank. Such borrowing is allowed without state approval under P.A. 99 of 1933. The installment loan outstanding relates to governmental activities only.

Purpose	Issuance Amount	Installments	Final Maturity	Interest Rate	Debt Outstanding
Governmental activities:					
FNB - 2003 Hall expansion	\$ 181,882	\$ 15,800 — \$ 20,428	9/22/2014	3.18%	<u>\$ 137,511</u>

Annual debt service requirements to maturity for installment loans payable are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2008	\$ 17,109	\$ 4,240
2009	17,679	3,670
2010	18,256	3,093
2011	18,852	2,497
2012	19,462	1,887
2013 - 2016	46,153	1,881
	<u>\$ 137,511</u>	<u>\$ 17,268</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2007:

	Balance 7/1/2006	Additions	Reductions	Balance 6/30/2007	Due Within One Year
Governmental activities:					
Contracts payable	\$ 1,192,824	\$	\$ 107,407	\$ 1,085,417	\$ 113,657
General obligation bonds	1,765,000		200,000	1,565,000	195,000
Installment loans	154,090		16,579	137,511	17,109
Governmental activity long-term liabilities	3,111,914		323,986	2,787,928	325,766
Business-type activities:					
General obligation bonds	13,160,000		120,000	13,040,000	1,115,000
Total long-term liabilities	<u>\$ 16,271,914</u>	<u>\$</u>	<u>\$ 443,986</u>	<u>\$ 15,827,928</u>	<u>\$ 1,440,766</u>

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 6 - SEGMENT INFORMATION - BUSINESS-TYPE ACTIVITIES

The following represents segment information for the proprietary fund:

Service provided: sewage disposal		
Net income	\$	260,551
Total assets		38,158,275
Working capital		3,924,438
Total liabilities		13,077,484
Total net assets		25,080,791
Net changes in cash and cash equivalents		1,214,436

NOTE 7 - DEFINED CONTRIBUTION PENSION PLANS

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, 2007 was \$338,588 total payroll for the year was \$359,410.

TOTAL CURRENT YEAR EMPLOYER CONTRIBUTIONS \$ 27,087

In addition, the Township began sponsoring a deferred compensation plan qualifying under Section 457 of the Internal Revenue Code with ING Life Insurance and Annuity Company. Eligible employees may defer up to \$15,500 of compensation through salary reduction contributions for the year ended December 31, 2007. The Township is not obligated to make matching or employer contributions to the plan.

NOTE 8 - STATEMENT OF CASH FLOWS - BUSINESS-TYPE ACTIVITIES

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 direct 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 proprietary fund:

	<u>7/01/06</u>	<u>6/30/07</u>
Current assets		
Cash and cash equivalents	\$ <u>3,037,823</u>	\$ <u>4,252,259</u>

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 9 - 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 total sewer assessment on the plaintiff's property is approximately \$3.2 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 zoning 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 10 - ECONOMIC CONCENTRATION OF RISK

The Township's sewer system had only 676 customers connected and being billed as of June 30, 2007. The sewer fund had an operating loss of \$51,075 (after adding back depreciation expense) for the year ended June 30, 2007. The Township needs to have approximately 900 customers connected and being billed to break-even at the current rates.

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, 2007

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$	\$	\$ 347,123	\$
Licenses and permits			81,333	
State shared revenues			453,837	
Charges for services			126,334	
Other revenues			137,931	
			<u>1,146,558</u>	
Total revenues	1,076,310	1,080,646	1,146,558	65,912
EXPENDITURES	<u>1,034,869</u>	<u>1,044,930</u>	<u>1,002,696</u>	<u>42,234</u>
Excess of revenues over (under) expenditures	<u>41,441</u>	<u>35,716</u>	<u>143,862</u>	<u>108,146</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			3,000	3,000
Transfers (out)	<u>(106,000)</u>	<u>(106,000)</u>	<u>(99,711)</u>	<u>6,289</u>
Total other financing (uses)	<u>(106,000)</u>	<u>(106,000)</u>	<u>(96,711)</u>	<u>9,289</u>
Net change in fund balance	(64,559)	(70,284)	47,151	117,435
FUND BALANCE, JULY 1, 2006	<u>1,451,028</u>	<u>1,451,028</u>	<u>1,451,028</u>	
FUND BALANCE, JUNE 30, 2007	<u>\$ 1,386,469</u>	<u>\$ 1,380,744</u>	<u>\$ 1,498,179</u>	<u>\$ 117,435</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, 2007

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Special assessments - principal	\$	\$	\$ 268,922	\$
Special assessments - interest			155,035	
Interest income			45,228	
Total revenues	<u>465,000</u>	<u>465,000</u>	<u>469,185</u>	<u>4,185</u>
EXPENDITURES				
Debt - principal			307,407	
Debt - interest			125,653	
Other			1,019	
Total expenditures	<u>453,000</u>	<u>453,000</u>	<u>434,079</u>	<u>18,921</u>
Net change in fund balance	12,000	12,000	35,106	23,106
FUND BALANCE, JULY 1, 2006	<u>899,216</u>	<u>899,216</u>	<u>899,216</u>	
FUND BALANCE, JUNE 30, 2007	<u><u>\$ 911,216</u></u>	<u><u>\$ 911,216</u></u>	<u><u>\$ 934,322</u></u>	<u><u>\$ 23,106</u></u>

SUPPLEMENTARY
INFORMATION

COMBINING
FINANCIAL
STATEMENTS

MARION TOWNSHIP
ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007

<u>ASSETS</u>	<u>Cemetery Fund</u>	<u>Recreation Fund</u>	<u>Loves Creek Fund</u>	<u>Road Paving Assessment Fund</u>	<u>Water System Assessment Fund</u>	<u>Totals</u>
ASSETS						
Cash	\$ 11,786	\$ 127,123	\$ 1,656	\$ 5,222	\$ 923,082	\$ 1,068,869
Note receivable - water new user					1,050,000	1,050,000
Special assessments receivable					2,180,935	2,180,935
Accrued interest receivable					11,990	11,990
Due from other funds	<u>3,387</u>					<u>3,387</u>
Total assets	<u>\$ 15,173</u>	<u>\$ 127,123</u>	<u>\$ 1,656</u>	<u>\$ 5,222</u>	<u>\$ 4,166,007</u>	<u>\$ 4,315,181</u>
 <u>LIABILITIES AND FUND BALANCE</u>						
LIABILITIES						
Accounts payable	\$ 710	\$ 3,996	\$	\$	\$	\$ 4,706
Due to other funds		380		500	750	1,630
Deferred revenue					3,230,935	3,230,935
Total liabilities	710	4,376		500	3,231,685	3,237,271
FUND BALANCE	<u>14,463</u>	<u>122,747</u>	<u>1,656</u>	<u>4,722</u>	<u>934,322</u>	<u>1,077,910</u>
Total liabilities and fund balance	<u>\$ 15,173</u>	<u>\$ 127,123</u>	<u>\$ 1,656</u>	<u>\$ 5,222</u>	<u>\$ 4,166,007</u>	<u>\$ 4,315,181</u>

MARION TOWNSHIP
ALL SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	Cemetery Fund	Recreation Fund	Loves Creek Fund	Road Paving Assessment Fund	Water System Assessment Fund	Totals
REVENUES						
Special assessments - principal	\$	\$	\$	\$	\$ 268,922	\$ 268,922
Special assessments - interest					155,035	155,035
Service charges	5,100					5,100
Interest income	58	2,570	31	26	45,228	47,913
Other income	71					71
Total revenues	<u>5,229</u>	<u>2,570</u>	<u>31</u>	<u>26</u>	<u>469,185</u>	<u>477,041</u>
EXPENDITURES						
Construction and maintenance	11,887	1,140	2,310			15,337
Debt - principal					307,407	307,407
Debt - interest					125,653	125,653
Capital outlay		51,308				51,308
Agent fees					269	269
Other expenditures				500	750	1,250
Commission contribution		65,210				65,210
Total expenditures	<u>11,887</u>	<u>117,658</u>	<u>2,310</u>	<u>500</u>	<u>434,079</u>	<u>566,434</u>
Excess of revenues over (under) expenditures	<u>(6,658)</u>	<u>(115,088)</u>	<u>(2,279)</u>	<u>(474)</u>	<u>35,106</u>	<u>(89,393)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	9,500	90,211				99,711
Transfers (out)			(3,000)			(3,000)
Total other financing sources (uses)	<u>9,500</u>	<u>90,211</u>	<u>(3,000)</u>			<u>96,711</u>
Net change in fund balances	2,842	(24,877)	(5,279)	(474)	35,106	7,318
FUND BALANCE, JULY 1, 2006	<u>11,621</u>	<u>147,624</u>	<u>6,935</u>	<u>5,196</u>	<u>899,216</u>	<u>1,070,592</u>
FUND BALANCE, JUNE 30, 2007	<u>\$ 14,463</u>	<u>\$ 122,747</u>	<u>\$ 1,656</u>	<u>\$ 4,722</u>	<u>\$ 934,322</u>	<u>\$ 1,077,910</u>

INDIVIDUAL
FUNDS

GENERAL
FUND

MARION TOWNSHIP
GENERAL FUND
BALANCE SHEET
JUNE 30, 2007

ASSETS

ASSETS

Cash		\$ 1,473,516
Accounts receivable - state		146,114
Accrued interest receivable		19,151
Due from others		4,042
Due from other funds		<u>20,433</u>
 Total assets		 <u><u>\$ 1,663,256</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 130,522	
Accrued wages and salaries	28,715	
Accrued pension	2,142	
Due to other funds	<u>3,698</u>	
 Total liabilities		 \$ 165,077

FUND BALANCE

		<u>1,498,179</u>
 Total liabilities and fund balance		 <u><u>\$ 1,663,256</u></u>

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 346,500	\$ 347,123	\$ 623
Licenses and permits	81,750	81,333	(417)
State shared revenues	459,000	453,837	(5,163)
Charges for services	113,400	126,334	12,934
Other revenues	79,996	137,931	57,935
Total revenues	1,080,646	1,146,558	65,912
EXPENDITURES	1,044,930	1,002,696	42,234
Excess of revenues over (under) expenditures	35,716	143,862	108,146
OTHER FINANCING SOURCES (USES)			
Transfers in		3,000	3,000
Transfers (out)	(106,000)	(99,711)	6,289
Total other financing (uses)	(106,000)	(96,711)	9,289
Net change in fund balances	(70,284)	47,151	117,435
FUND BALANCE, JULY 1, 2006	1,451,028	1,451,028	
FUND BALANCE, JUNE 30, 2007	\$ 1,380,744	\$ 1,498,179	\$ 117,435

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
PROPERTY TAXES	<u>\$ 346,500</u>	<u>\$ 347,123</u>	<u>\$ 623</u>
LICENSES AND PERMITS			
Park pass permits		180	
Licenses, fees, permits		8,139	
Cable franchise fees		<u>73,014</u>	
Total licenses and permits	<u>81,750</u>	<u>81,333</u>	<u>(417)</u>
STATE SHARED REVENUES	<u>459,000</u>	<u>453,837</u>	<u>(5,163)</u>
CHARGES FOR SERVICES			
Meeting fees		4,475	
Tax collection administration		115,170	
Elections		<u>6,689</u>	
Total charges for services	<u>113,400</u>	<u>126,334</u>	<u>12,934</u>
OTHER REVENUES			
Printing and publications		309	
Interest income		62,485	
Fire station lease		19,658	
Cell tower lease		18,000	
Capital equipment grant		27,671	
Miscellaneous		388	
Metro act		<u>9,420</u>	
Total other revenues	<u>79,996</u>	<u>137,931</u>	<u>57,935</u>
Total revenues	<u><u>\$ 1,080,646</u></u>	<u><u>\$ 1,146,558</u></u>	<u><u>\$ 65,912</u></u>

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
TOWNSHIP BOARD			
Salaries	\$	\$ 26,645	\$
Meetings and seminars		680	
Membership dues		5,645	
Mileage		276	
Printing and publications		3,638	
	<u>39,100</u>	<u>36,884</u>	<u>2,216</u>
TOTAL township board			
SUPERVISOR			
Salary		31,835	
Mileage		517	
Meetings and seminars		727	
Miscellaneous		242	
	<u>33,475</u>	<u>33,321</u>	<u>154</u>
TOTAL supervisor			
PUBLIC WORKS			
Salary		9,312	
Mileage		46	
	<u>6,400</u>	<u>9,358</u>	<u>(2,958)</u>
TOTAL public works			
ELECTIONS			
Salaries		9,639	
Supplies		3,904	
Postage		1,377	
Mileage		70	
Miscellaneous		563	
Printing		811	
	<u>15,675</u>	<u>16,364</u>	<u>(689)</u>
TOTAL elections			
PROFESSIONAL FEES			
Audit fees		8,760	
Accounting services		525	
Software support		2,825	
Engineering fees		6,023	
Other services		404	
	<u>19,625</u>	<u>18,537</u>	<u>1,088</u>
TOTAL professional fees			

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ASSESSOR			
Salaries	\$	\$ 78,274	\$
Dues and memberships		500	
Training and seminars		1,800	
Supplies		481	
Mileage		733	
Miscellaneous		310	
Postage		1,606	
Total assessor	<u>86,710</u>	<u>83,704</u>	<u>3,006</u>
LEGAL			
Attorneys		86,061	
Consultants and engineering		33,175	
Total legal	<u>146,250</u>	<u>119,236</u>	<u>27,014</u>
CLERK			
Salaries		55,506	
Mileage		671	
Training, seminars and dues		2,121	
Supplies		182	
Total clerk	<u>60,450</u>	<u>58,480</u>	<u>1,970</u>
BOARD OF REVIEW			
Salaries		4,500	
Supplies and publications		420	
Total board of review	<u>5,000</u>	<u>4,920</u>	<u>80</u>
TREASURER			
Salaries		61,403	
Supplies		56	
Mileage		877	
Miscellaneous		96	
Training		1,184	
Total treasurer	<u>64,610</u>	<u>63,616</u>	<u>994</u>

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
UNALLOCATED			
Salaries - secretary	\$	\$ 11,726	\$
Custodial		4,935	
Payroll taxes		27,352	
Insurance - health		102,641	
Insurance - general		60,509	
Pension		27,087	
Trash removal		227	
Supplies		5,981	
Equipment - maintenance		3,179	
Postage		2,850	
Grounds maintenance		6,530	
Buildings maintenance		3,054	
Telephone		4,961	
Utilities		7,352	
Internet		179	
Tax roll preparation		9,534	
Payroll processing		1,730	
Miscellaneous		4,251	
Total unallocated	284,950	284,078	872
NPDES PHASE II			
Salary		3,000	
Permit		500	
SWPPI		4,950	
Total NPDES Phase II	9,000	8,450	550
ZONING ADMINISTRATOR			
Salary		41,233	
Miscellaneous		73	
Mileage		794	
Training		367	
Total zoning administrator	43,800	42,467	1,333

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
PLANNING COMMISSION			
Salaries	\$	\$ 8,701	\$
Consultant		9,808	
Training		160	
Printing and publications		1,543	
Miscellaneous		10	
Supplies		216	
	22,760	20,438	2,322
ZONING BOARD OF APPEALS			
Salaries		2,830	
Printing and publications		1,538	
	4,375	4,368	7
DRAINS			
	3,500	3,188	312
ROADS			
Road maintenance		100,000	
Dust control		62,345	
	165,000	162,345	2,655
RECREATION			
		1,641	(1,641)
BUILDING IMPROVEMENT			
Capital outlay - building improvements		9,352	
Capital outlay - equipment		600	
Debt service - principal and interest		21,349	
	34,250	31,301	2,949
Total expenditures	\$ 1,044,930	\$ 1,002,696	\$ 42,234

CEMETERY
FUND

MARION TOWNSHIP
CEMETERY FUND
BALANCE SHEET
JUNE 30, 2007

ASSETS

ASSETS

Cash	\$	11,786
Due from other funds		<u>3,387</u>
Total assets	\$	<u><u>15,173</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$	710
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FUND BALANCE

14,463

Total liabilities and fund balance	\$	<u><u>15,173</u></u>
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MARION TOWNSHIP
CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Service charges	\$ 5,000	\$ 5,100	\$ 100
Interest	50	58	8
Other income		71	71
	<u>5,050</u>	<u>5,229</u>	<u>179</u>
Total revenues			
EXPENDITURES			
Maintenance		5,887	
Sexton salary		6,000	
	<u>18,200</u>	<u>11,887</u>	<u>6,313</u>
Total expenditures			
Excess of revenues over (under) expenditures	(13,150)	(6,658)	6,492
OTHER FINANCING SOURCES (USES)			
Transfers in	9,500	9,500	
	<u>(3,650)</u>	<u>2,842</u>	<u>6,492</u>
Net change in fund balances			
FUND BALANCE, JULY 1, 2006	<u>11,621</u>	<u>11,621</u>	
FUND BALANCE, JUNE 30, 2007	<u>\$ 7,971</u>	<u>\$ 14,463</u>	<u>\$ 6,492</u>

RECREATION
FUND

MARION TOWNSHIP
RECREATION FUND
BALANCE SHEET
JUNE 30, 2007

ASSETS

ASSETS
Cash

\$ 127,123

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable
Due to other funds

\$ 3,996
380

Total liabilities

\$ 4,376

FUND BALANCE

122,747

Total liabilities and fund balance

\$ 127,123

MARION TOWNSHIP
RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest income	\$ 500	\$ 2,570	\$ 2,070
EXPENDITURES			
Capital outlay		51,308	
Commission contribution		65,210	
Professional fees		150	
Maintenance		990	
Total expenditures	221,500	117,658	103,842
Excess of revenues over (under) expenditures	(221,000)	(115,088)	105,912
OTHER FINANCING SOURCES (USES)			
Transfers in	96,500	90,211	(6,289)
Net change in fund balances	(124,500)	(24,877)	99,623
FUND BALANCE, JULY 1, 2006	147,624	147,624	
FUND BALANCE, JUNE 30, 2007	\$ 23,124	\$ 122,747	\$ 99,623

LOVES CREEK
FUND

MARION TOWNSHIP
LOVES CREEK FUND
BALANCE SHEET
JUNE 30, 2007

ASSETS

ASSETS
Cash

\$ 1,656

FUND BALANCE

FUND BALANCE

\$ 1,656

MARION TOWNSHIP
 LOVES CREEK FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 3,212	\$	\$ (3,212)
Interest income	25	31	6
	<u>3,237</u>	<u>31</u>	<u>(3,206)</u>
Total revenues			
EXPENDITURES			
Maintenance	<u>3,000</u>	<u>2,310</u>	<u>690</u>
Excess of revenues over (under) expenditures	237	(2,279)	(2,516)
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u></u>	<u>(3,000)</u>	<u>(3,000)</u>
Net change in fund balances	237	(5,279)	(5,516)
FUND BALANCE, JULY 1, 2006	<u>6,935</u>	<u>6,935</u>	<u></u>
FUND BALANCE, JUNE 30, 2007	<u>\$ 7,172</u>	<u>\$ 1,656</u>	<u>\$ (5,516)</u>

ROAD PAVING
ASSESSMENT
FUND

MARION TOWNSHIP
ROAD PAVING ASSESSMENT FUND
BALANCE SHEET
JUNE 30, 2007

ASSETS

ASSETS
Cash

\$ 5,222

LIABILITIES AND FUND BALANCE

LIABILITIES
Due to other funds

\$ 500

FUND BALANCE

4,722

Total liabilities and fund balance

\$ 5,222

MARION TOWNSHIP
ROAD PAVING ASSESSMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest income	\$ 25	\$ 26	\$ 1
EXPENDITURES			
Professional fees	_____	500	(500)
Net change in fund balance	25	(474)	(499)
FUND BALANCE, JULY 1, 2006	5,196	5,196	_____
FUND BALANCE, JUNE 30, 2007	\$ 5,221	\$ 4,722	\$ (499)

WATER SYSTEM
ASSESSMENT
FUND

MARION TOWNSHIP
WATER SYSTEM ASSESSMENT FUND
BALANCE SHEET
JUNE 30, 2007

ASSETS

ASSETS

Cash	\$	923,082
Special assessments and mortgage receivable		2,180,935
Accrued interest receivable		11,990
Note receivable - water new user		<u>1,050,000</u>

Total assets		<u>\$ 4,166,007</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred revenue - special assessments and mortgage receivable	\$	2,180,935
Deferred revenue - water new user		1,050,000
Due to other funds		<u>750</u>

Total liabilities		\$ 3,231,685
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FUND BALANCE

		<u>934,322</u>
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Total liabilities and fund balance		<u>\$ 4,166,007</u>
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MARION TOWNSHIP
WATER SYSTEM ASSESSMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Special assessments - principal	\$	\$ 268,922	\$
Special assessments - interest		155,035	
Interest income		45,228	
Total revenues	465,000	469,185	4,185
EXPENDITURES			
Debt - principal		307,407	
Debt - interest		125,653	
Agent fees		269	
Professional fees		750	
Total expenditures	453,000	434,079	18,921
Net change in fund balance	12,000	35,106	23,106
FUND BALANCE, JULY 1, 2006	899,216	899,216	
FUND BALANCE, JUNE 30, 2007	\$ 911,216	\$ 934,322	\$ 23,106

WATER
NEW USER
FUND

MARION TOWNSHIP
WATER NEW USER FUND
BALANCE SHEET
JUNE 30, 2007

ASSETS

ASSETS

Cash		\$ 340,270
Special assessments receivable - unbonded		<u>1,284,052</u>
 Total assets		 <u><u>\$ 1,624,322</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred revenue - unbonded	\$ 1,284,052	
Due to other funds	7,706	
Due to others	<u>1,415</u>	
 Total liabilities		 \$ 1,293,173

FUND BALANCE

		<u>331,149</u>
 Total liabilities and fund balance		 <u><u>\$ 1,624,322</u></u>

MARION TOWNSHIP
WATER NEW USER FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

REVENUES		
Special assessments - principal	\$ 118,808	
Special assessments - interest	109,939	
Interest income	<u>5,231</u>	
Total revenues		\$ 233,978
EXPENDITURES		
Administration fees	4,655	
Professional fees	<u>3,050</u>	
Total expenditures		<u>7,705</u>
Net change in fund balance		226,273
FUND BALANCE, JULY 1, 2006		<u>104,876</u>
FUND BALANCE, JUNE 30, 2007		<u><u>\$ 331,149</u></u>

SEWER
FUND

MARION TOWNSHIP
SEWER FUND
STATEMENT OF REVENUES AND EXPENSES FOR OPERATIONS ONLY
FOR THE YEARS ENDED JUNE 30, 2007, 2006, 2005, 2004, 2003 AND 2002

	<u>6/30/2007</u>	<u>6/30/2006</u>	<u>6/30/2005</u>	<u>6/30/2004</u>	<u>6/30/2003</u>	<u>6/30/2002</u>
REVENUE						
User charges -						
Quarterly charges for usage	<u>\$ 155,289</u>	<u>\$ 150,605</u>	<u>\$ 119,196</u>	<u>\$ 82,997</u>	<u>\$ 51,546</u>	<u>\$ 26,503</u>
EXPENSES						
Contract labor	36,824	38,704	34,872	34,176	29,014	21,468
Sewer usage fee	76,836	79,656	77,136	76,128	67,525	64,962
Utilities	6,813	7,131	5,156	4,715	4,845	4,350
Telephone	3,055	2,873	2,781	2,789	2,785	2,751
Administrative fees -						
Reimbursement to						
general fund	4,656	6,281	6,253	8,059	10,947	2,615
Administrative fees -						
billing admin.						
(Genoa Twp.)	17,551	16,360	11,457	12,134	5,745	2,935
Professional fees	59,383	25,628	11,532	5,485	1,560	3,500
Repairs and maintenance	<u>1,246</u>	<u>2,676</u>	<u>33,819</u>	<u>14,109</u>		
Total expenses	<u>206,364</u>	<u>179,309</u>	<u>183,006</u>	<u>157,595</u>	<u>122,421</u>	<u>102,581</u>
Net operating (loss)	<u>\$ (51,075)</u>	<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, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
User charges	\$ 125,000	\$ 155,289	\$ 30,289
Interest income - assessments	740,000	641,859	(98,141)
Interest income - bank	50,000	245,966	195,966
Connection fees - developer contributions	250,000	665,000	415,000
Connection fees	470,000	12,000	(458,000)
Other income	2,000	10,680	8,680
	<u>1,637,000</u>	<u>1,730,794</u>	<u>93,794</u>
EXPENSES			
Amortization - bond issuance costs	20,000	18,630	1,370
Debt-interest expense	560,000	560,132	(132)
Maintenance of system (contract labor)	75,000	36,824	38,176
Administrative fees - billing admin.	13,500	17,551	(4,051)
Professional fees	110,000	59,383	50,617
Administrative fees - reimbursement to general fund	6,500	4,656	1,844
Agent fees	2,000	828	1,172
Repairs and maintenance	30,000	1,246	28,754
Utilities	8,000	6,813	1,187
Sewer usage	90,000	76,836	13,164
Depreciation	740,000	684,289	55,711
Telephone	4,500	3,055	1,445
Other	7,500		7,500
	<u>1,667,000</u>	<u>1,470,243</u>	<u>196,757</u>
Net change in fund equity	(30,000)	260,551	290,551
BEGINNING RETAINED EARNINGS	<u>24,820,240</u>	<u>24,820,240</u>	<u></u>
ENDING RETAINED EARNINGS	<u>\$ 24,790,240</u>	<u>\$ 25,080,791</u>	<u>\$ 290,551</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, 2007

	Retained Earnings Reserved	Retained Earnings (Deficit) Unreserved	Total
BALANCES, JULY 1, 2006	\$ 25,134,305	\$ (314,065)	\$ 24,820,240
Operating (loss) excluding depreciation expense		(51,075)	(51,075)
Connection fees	677,000		677,000
Depreciation (expense)	(684,289)		(684,289)
Interest income	887,825		887,825
Other income		10,680	10,680
Interest (expense) - debt	(560,132)		(560,132)
Agent (fees) - debt	(828)		(828)
Amortization - bond issuance costs	(18,630)		(18,630)
BALANCES, JUNE 30, 2007	<u>\$ 25,435,251</u>	<u>\$ (354,460)</u>	<u>\$ 25,080,791</u>

CURRENT
TAX
FUND

MARION TOWNSHIP
CURRENT TAX FUND
BALANCE SHEET
JUNE 30, 2007

ASSETS

ASSETS

Cash	\$	2,052
Due from other funds		311
		<hr/>
Total assets	\$	<u>2,363</u>

LIABILITIES

LIABILITIES

Due to other funds	\$	1,467
Due to others		896
		<hr/>
Total liabilities and fund balance	\$	<u>2,363</u>

ESCROW FUND

MARION TOWNSHIP
ESCROW FUND
BALANCE SHEET
JUNE 30, 2007

<u>ASSETS</u>		
ASSETS		
Cash		<u>\$ 32,057</u>
<u>LIABILITIES</u>		
LIABILITIES		
Due to other funds		\$ 2,091
Due to others		<u>29,966</u>
Total liabilities		<u>\$ 32,057</u>

October 12, 2007

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, 2007 we came across a few items we would like to discuss with you.

1. CREDIT CARD POLICY

The Township's credit card use policy does not comply with the requirements of Public Act 266 of 1995.

The Township should consider revising the current credit card use policy to conform to the criteria set out in the Public Act.

2. ESCROW ACCOUNTS

We noted several escrow accounts which had a deficit balance as of June 30, 2007.

The Township should not make any disbursements from an escrow account if such a disbursement will create a deficit.

3. DISBURSEMENTS

We noted several instances where supporting documentation for the related disbursement was either not attached to the copy of the check or incomplete (no approvals documenting receipt of goods and (or) services).

In the future the individual verifying receipt of goods and (or) services should sign the invoice prior to payment. All supporting documentation (invoices, expense reports, etc...) should always be attached to the check voucher.

4. SEWER RATES

As in prior year's we want to mention again the fact the sewer operations are running at a deficit. It appears the significant issue is lack of customers. The deficit has accumulated to over \$365,000 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	28,704
June 30, 2007	51,075
	<u>\$ 365,140</u>

The Township should consider evaluating its quarterly rates.

Also, it appears the assessments and cash available to pay sewer debt may not be sufficient. The Township should consider performing a cash flow study for the sewer debt.

COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Township as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Marion Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one deficiency in internal control that we consider to be a significant deficiency or material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

We consider the following to be a material weakness of the Township:

- Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principals. It should be noted the entries include those required for the full-accrual presentation of the government-wide statements.

This report is intended solely for the information and use of the Township Board and is not intended to be and should not be used by any other party.

We would like to thank the Township staff and management for the cooperation and assistance provided during the audit. If you should have any questions, comments or concerns please let us know.

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