

MARION TOWNSHIP

ANNUAL  
FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2008

**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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*AICPA Private Practice Companies Section*  
*MACPA*

October 1, 2008

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, 2008, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion Township, as of June 30, 2008, 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 11 and 41 and 42 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, 2008

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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, 2008. 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 \$29,826,906. This is a \$36,510 decrease over last year's net assets of \$29,863,416.



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 2008	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2007
<u>ASSETS</u>						
ASSETS						
Current and other assets	\$ 6,535,238	\$ 6,609,956	\$ 17,660,420	\$ 18,479,364	\$ 24,195,658	\$ 25,089,320
Capital assets	<u>1,117,153</u>	<u>1,128,408</u>	<u>18,977,699</u>	<u>19,669,905</u>	<u>20,094,852</u>	<u>20,798,313</u>
Total assets	<u>7,652,391</u>	<u>7,738,364</u>	<u>36,638,119</u>	<u>38,149,269</u>	<u>44,290,510</u>	<u>45,887,633</u>
<u>LIABILITIES</u>						
LIABILITIES						
Other liabilities	54,516	167,811	21,927	28,478	76,443	196,289
Bonds/contracts payable	<u>2,462,161</u>	<u>2,787,928</u>	<u>11,925,000</u>	<u>13,040,000</u>	<u>14,387,161</u>	<u>15,827,928</u>
Total liabilities	<u>2,516,677</u>	<u>2,955,739</u>	<u>11,946,927</u>	<u>13,068,478</u>	<u>14,463,604</u>	<u>16,024,217</u>
<u>NET ASSETS</u>						
NET ASSETS						
Invested in capital assets, net of related debt	996,751	990,897	7,052,699	6,629,905	8,049,450	7,620,802
Unrestricted	<u>4,138,963</u>	<u>3,791,728</u>	<u>17,638,493</u>	<u>18,450,886</u>	<u>21,777,456</u>	<u>22,242,614</u>
Total net assets	<u>\$ 5,135,714</u>	<u>\$ 4,782,625</u>	<u>\$ 24,691,192</u>	<u>\$ 25,080,791</u>	<u>\$ 29,826,906</u>	<u>\$ 29,863,416</u>

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

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2007
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 242,752	\$ 212,767	\$ 196,837	\$ 155,289	\$ 439,589	\$ 368,056
Operating contributions	1,000				1,000	
Capital contributions			11,250	677,000	11,250	677,000
Capital grants		27,671				27,671
General revenues						
State shared revenues	465,771	453,837			465,771	453,837
Property taxes	369,309	347,123			369,309	347,123
Interest income - cash and assessments	357,191	380,603	856,879	887,825	1,214,070	1,268,428
Other	62,351	47,846	9,990	10,680	72,341	58,526
<b>Total revenues</b>	<b>1,498,374</b>	<b>1,469,847</b>	<b>1,074,956</b>	<b>1,730,794</b>	<b>2,573,330</b>	<b>3,200,641</b>
<b>EXPENSES</b>						
General government	804,274	848,772			804,274	848,772
Parks and recreation	78,851	67,991			78,851	67,991
Public works	135,514	182,218			135,514	182,218
Interest on long-term debt	126,646	139,722			126,646	139,722
Sewer system			1,464,555	1,470,243	1,464,555	1,470,243
<b>Total expenses</b>	<b>1,145,285</b>	<b>1,238,703</b>	<b>1,464,555</b>	<b>1,470,243</b>	<b>2,609,840</b>	<b>2,708,946</b>
Change in net assets	353,089	231,144	(389,599)	260,551	(36,510)	491,695
<b>BEGINNING NET ASSETS</b>	<b>4,782,625</b>	<b>4,551,481</b>	<b>25,080,791</b>	<b>24,820,240</b>	<b>29,863,416</b>	<b>29,371,721</b>
<b>ENDING NET ASSETS</b>	<b>\$ 5,135,714</b>	<b>\$ 4,782,625</b>	<b>\$ 24,691,192</b>	<b>\$ 25,080,791</b>	<b>\$ 29,826,906</b>	<b>\$ 29,863,416</b>

The governmental activity net assets increased by \$353,089. This is typical for these activities unless large fiscal year projects are under taken.

The business-type activity expenses exceeded revenues by \$389,599 for the year ended June 30, 2008. This is due to a lack of connection fees.

#### Financial Analysis of the Township's Funds

The Township had four major funds for the year ended June 30, 2008. 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 \$144,959. This is slightly higher than the previous year due to lower legal fees.

The Water System Assessment Fund had revenues over expenditures totaling \$15,721. This fund accounts for the assessment and related debt service for the Township's participation in the Marion Howell Ocoola Genoa (MHOG) water authority. The excess of revenues over expenditures will be reduced annually until the bonds have been paid off.

The Water New User Fund's revenues exceeded expenditures by \$230,202. This fund accounts for the tap-ins and unbonded assessments for the Township's participation in the Marion Howell Ocoola Genoa (MHOG) water authority.

The Township's sole business-type fund, the Sewer Fund, had a net loss of \$389,599. This loss is largely due to a lack of connection fees paid to the Township, and depreciation of \$692,206.

#### General Fund Budgetary Highlights

The Township adopted its budget prior to beginning operations for the year ended June 30, 2008. Total appropriations exceeded actual expenditures by \$192,353. This excess is largely due to the excess appropriations for road 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 \$25,298 in capital outlay for township hall improvements and park construction. The proprietary fund, the Sewer Fund, made no improvements to the sewage treatment plant's collection system during the year.

The business type funds issued no new debt during the year, but spent \$1,115,000 of principal and \$555,872 of interest on existing debt. The remaining debt in the proprietary funds at June 30, 2008 was \$11,925,000.

The governmental funds issued no new debt during the year, but spent \$352,767 of principal and \$126,646 of interest on existing debt. The remaining debt in the governmental funds at June 30, 2008 was \$2,462,161.

#### 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, 2008

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
ASSETS			
Cash and investments	\$ 3,199,029	\$ 4,383,504	\$ 7,582,533
Cash and investments - restricted		2,163,865	2,163,865
Receivable			
Intergovernmental	3,700		3,700
State shared revenues	149,871		149,871
Accounts		63,094	63,094
Special assessments - restricted	3,092,598	10,065,369	13,157,967
Mortgage		380,938	380,938
Interest	28,400	6,500	34,900
Capital assets, net	1,117,153	18,977,699	20,094,852
Bond issuance costs, net	35,815	164,590	200,405
Deferred amount on refunding bonds, net	25,825	432,560	458,385
Total assets	7,652,391	36,638,119	44,290,510
<u>LIABILITIES</u>			
LIABILITIES			
Accounts payable	23,057	18,524	41,581
Accrued liabilities	29,959		29,959
Due to other funds		3,403	3,403
Deferred revenues	1,500		1,500
Contracts payable			
Current	131,336		131,336
Non-current	960,825		960,825
Bonds payable - refunding			
Current	195,000	1,110,000	1,305,000
Non-current	1,175,000	10,815,000	11,990,000
Total liabilities	2,516,677	11,946,927	14,463,604
<u>NET ASSETS</u>			
NET ASSETS			
Invested in capital assets, net of related debt	996,751	7,052,699	8,049,450
Unrestricted	4,138,963	17,638,493	21,777,456
Total net assets	\$ 5,135,714	\$ 24,691,192	\$ 29,826,906

The notes are an integral part of the financial statements.

MARION TOWNSHIP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Programs Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions</u>	<u>Capital Contributions</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
General government	\$ (804,274)	\$ 228,436	\$	\$
Parks and recreation	(78,851)		1,000	
Public works	(135,514)	14,316		
Interest on long-term debt	(126,646)			
<b>Total governmental activities</b>	<b>(1,145,285)</b>	<b>242,752</b>	<b>1,000</b>	
<b>Business-type activities</b>				
Sewer system	(1,464,555)	196,837		11,250
<b>Total</b>	<b>\$ (2,609,840)</b>	<b>\$ 439,589</b>	<b>\$ 1,000</b>	<b>\$ 11,250</b>

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

Total general revenues

Changes in net assets

Net assets, July 1, 2007

Net assets, June 30, 2008

The notes are an integral part of the financial statements.

Net (Expenses) Revenue and Changes  
in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (575,838)	\$	\$ (575,838)
(77,851)		(77,851)
(121,198)		(121,198)
(126,646)		(126,646)
(901,533)		(901,533)
	(1,256,468)	(1,256,468)
(901,533)	(1,256,468)	(2,158,001)
369,309		369,309
465,771		465,771
243,170	612,493	855,663
114,021	244,386	358,407
44,593		44,593
17,758	9,990	27,748
1,254,622	866,869	2,121,491
353,089	(389,599)	(36,510)
4,782,625	25,080,791	29,863,416
<u>\$ 5,135,714</u>	<u>\$ 24,691,192</u>	<u>\$ 29,826,906</u>



FUND  
FINANCIAL STATEMENTS

MARION TOWNSHIP  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>General Fund</u>	<u>Water System Assessment Fund</u>	<u>Water New User Fund</u>
<u>ASSETS</u>			
ASSETS			
Cash and investments	\$ 1,491,517	\$ 940,043	\$ 568,495
Receivables			
Special assessments		2,969,758	1,163,525
State shared revenues	149,871		
Accrued interest	18,400	10,000	
Due from other funds	24,640		
	<u>1,684,428</u>	<u>3,919,801</u>	<u>1,732,020</u>
Total assets	<u>\$ 1,684,428</u>	<u>\$ 3,919,801</u>	<u>\$ 1,732,020</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ 7,141	\$	\$ 3,741
Accrued wages and absences	29,959		
Accrued pension	2,587		
Due to other funds	103		3,403
Deferred revenues	1,500	2,969,758	1,163,525
	<u>41,290</u>	<u>2,969,758</u>	<u>1,170,669</u>
Total liabilities	<u>41,290</u>	<u>2,969,758</u>	<u>1,170,669</u>
FUND BALANCES			
Unreserved	1,643,138		
Reserved for debt service		950,043	
Reserved for utility systems			561,351
	<u>1,643,138</u>	<u>950,043</u>	<u>561,351</u>
Total fund balances	<u>1,643,138</u>	<u>950,043</u>	<u>561,351</u>
Total liabilities and fund balances	<u>\$ 1,684,428</u>	<u>\$ 3,919,801</u>	<u>\$ 1,732,020</u>

The notes are an integral part of the financial statements.

<u>Non-major Funds</u>	<u>Total</u>
\$ 198,974	\$ 3,199,029
9,315	4,142,598
	149,871
	28,400
	24,640
<u>\$ 208,289</u>	<u>\$ 7,544,538</u>
\$ 9,588	\$ 20,470
	29,959
	2,587
17,434	20,940
	4,134,783
<u>27,022</u>	<u>4,208,739</u>
181,267	1,824,405
	950,043
	561,351
<u>181,267</u>	<u>3,335,799</u>
<u>\$ 208,289</u>	<u>\$ 7,544,538</u>

MARION TOWNSHIP  
RECONCILIATION OF STATEMENT OF NET ASSETS OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET  
JUNE 30, 2008

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

Total fund balance per balance sheet		\$ 3,335,799
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Historical cost	\$ 1,520,032	
Depreciation	<u>(402,879)</u>	
Capital assets net of depreciation		1,117,153
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>(23,460)</u>	
Bond issuance costs net of amortization		61,640
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Contracts payable	(1,092,161)	
Bonds payable	<u>(1,370,000)</u>	
Total long-term liabilities		(2,462,161)
Deferred revenues on special assessments was recognized as revenue in the government-wide statements. Assessments are income as they are assessed.		
Deferred income	4,133,283	
Interfund SAD receivable	<u>(1,050,000)</u>	
Total deferred revenue		<u>3,083,283</u>
Net assets of governmental activities		<u><u>\$ 5,135,714</u></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, 2008

	General Fund	Water System Assessment Fund	Water New User Fund
<b>REVENUES</b>			
Taxes	\$ 369,309	\$	\$
Special assessments		403,446	221,428
State shared revenues	465,771		
Licenses and permits	105,830		
Rental income	44,593		
Donations			
Charges for services	122,606		
Interest	58,264	43,400	10,673
Miscellaneous	12,686		5,025
	<b>1,179,059</b>	<b>446,846</b>	<b>237,126</b>
Total revenues			
<b>EXPENDITURES</b>			
Current:			
General government	771,283		
Parks and recreation	20		
Public works	96,808	8,341	6,924
Debt service:			
Principal	17,110	308,657	
Interest	4,239	114,127	
Capital outlay:			
General government	8,483		
Parks and recreation			
	<b>897,943</b>	<b>431,125</b>	<b>6,924</b>
Total expenditures			
Excess of revenues over (under) expenditures	<b>281,116</b>	<b>15,721</b>	<b>230,202</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	5,843		
Transfers (out)	(142,000)		
	<b>(136,157)</b>		
Total other financing sources (uses)			
Net change in fund balances	<b>144,959</b>	<b>15,721</b>	<b>230,202</b>
FUND BALANCE, JULY 1, 2007	<b>1,498,179</b>	<b>934,322</b>	<b>331,149</b>
FUND BALANCE, JUNE 30, 2008	<b>\$ 1,643,138</b>	<b>\$ 950,043</b>	<b>\$ 561,351</b>

The notes are an integral part of the financial statements.

<u>Non-major Funds</u>	<u>Total</u>
\$	\$ 369,309
	624,874
	465,771
	105,830
	44,593
1,000	1,000
14,316	136,922
1,684	114,021
47	17,758
<u>17,047</u>	<u>1,880,078</u>
	771,283
60,069	60,089
23,441	135,514
	325,767
	118,366
	8,483
<u>32,015</u>	<u>32,015</u>
<u>115,525</u>	<u>1,451,517</u>
<u>(98,478)</u>	<u>428,561</u>
142,000	147,843
<u>(5,843)</u>	<u>(147,843)</u>
<u>136,157</u>	
37,679	428,561
<u>143,588</u>	<u>2,907,238</u>
<u>\$ 181,267</u>	<u>\$ 3,335,799</u>

MARION TOWNSHIP  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

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

Net change in fund balances - governmental funds		\$ 428,561
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 depreciation exceeded capital outlays is as follows:		
Capital outlay	\$ 25,298	
Depreciation expense	<u>(36,553)</u>	
Total		(11,255)
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.		
Amortization of bond issuance costs		(8,280)
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:		
Repayment of contracts payable	130,767	
Repayment of bonds payable	<u>195,000</u>	
Total		325,767
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.		
Principal collected on assessments		<u>(381,704)</u>
Change in net assets of governmental activities		<u><u>\$ 353,089</u></u>

The notes are an integral part of the financial statements.

MARION TOWNSHIP  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND - SEWER FUND  
JUNE 30, 2008

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 60,658	
Accounts receivable - usage	63,094	

Total current assets \$ 123,752

CURRENT ASSETS (RESTRICTED)

Cash and cash equivalents - debt service & future improvements	4,322,846	
Investments - phase II plant	2,163,865	
Special assessments receivable - bonded	727,379	
Special assessments receivable - unbonded	18,488	
Accrued interest	6,500	

Total current assets (restricted) 7,239,078

PROPERTY, PLANT AND EQUIPMENT

Sewer collection system	14,035,775	
Sewer plant	9,795,116	
Computers, equipment, software	134,102	
Land	166,051	
	24,131,044	
Less: accumulated depreciation	5,153,345	

Net property, plant and equipment 18,977,699

OTHER ASSETS

Bond issuance costs, net	164,590	
Deferred amount on refunding bonds, net	432,560	

Total other assets 597,150

RESTRICTED ASSETS

Special assessments receivable - bonded	9,018,715	
Special assessments receivable - unbonded	300,787	
Mortgage receivable - bonded	380,938	

Total restricted assets 9,700,440

Total assets \$ 36,638,119

The notes are an integral part of the financial statements.



LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 18,524	
Due to other funds	3,403	
Bond payable - refunding series 2007	<u>1,110,000</u>	
Total current liabilities		\$ 1,131,927

LONG-TERM LIABILITIES

Bond payable - refunding series 2007		<u>10,815,000</u>
Total liabilities		11,946,927

NET ASSETS

Unreserved (deficit)	(345,367)	
Reserved	<u>25,036,559</u>	
Total net assets		<u>24,691,192</u>

Total liabilities and net assets		<u><u>\$ 36,638,119</u></u>
----------------------------------	--	-----------------------------

MARION TOWNSHIP  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND - SEWER FUND  
FOR THE YEAR ENDED JUNE 30, 2008

OPERATING REVENUES		
User charges		\$ 196,837
OPERATING EXPENSES		
Contract labor	\$ 37,908	
Sewer usage fee	93,033	
Depreciation expense	692,206	
Utilities	7,558	
Telephone	2,978	
Administrative fees - reimbursement to general fund	3,403	
Professional fees	36,037	
Administrative fees - billing administration Genoa Township	13,713	
Repairs and maintenance	1,591	
Miscellaneous	<u>1,513</u>	
Total operating expenses		<u>889,940</u>
Operating (loss)		(693,103)
NON-OPERATING REVENUES AND (EXPENSES)		
Interest income - assessments	612,493	
Interest income - cash and investments	244,386	
Other income	9,990	
Interest expense - debt	(555,872)	
Agent fees - debt	(113)	
Amortization - bond issuance costs	<u>(18,630)</u>	
Total non-operating revenue		292,254
CAPITAL CONTRIBUTIONS		
Connection fees - new users		<u>11,250</u>
Net (loss)		(389,599)
NET ASSETS, JULY 1, 2007		<u>25,080,791</u>
NET ASSETS, JUNE 30, 2008		<u><u>\$ 24,691,192</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, 2008

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Cash receipts from:

Customer usage		\$ 198,641
----------------	--	------------

Cash disbursements to:

Operating vendors		<u>(203,301)</u>
-------------------	--	------------------

Net cash (used in) operating activities		(4,660)
---	--	---------

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

Special assessment collections - principal	\$ 985,176	
--	------------	--

Special assessment collections - interest	612,493	
---	---------	--

Connection fees received	11,250	
--------------------------	--------	--

Repayment of bond payable - principal	(1,115,000)	
---------------------------------------	-------------	--

Repayment of bonds payable - interest	(506,910)	
---------------------------------------	-----------	--

Agent fees	<u>(113)</u>	
------------	--------------	--

Net cash flows (used in) capital and related financing activities		(13,104)
---	--	----------

CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES

Investment redemption proceeds	5,270,000	
--------------------------------	-----------	--

Interest income - cash and investments	246,336	
--	---------	--

Investment purchases	<u>(5,367,327)</u>	
----------------------	--------------------	--

Net cash flows from investing activities		<u>149,009</u>
--	--	----------------

Increase in cash and cash equivalents		131,245
---------------------------------------	--	---------

BALANCE, JULY 1, 2007		<u>4,252,259</u>
-----------------------	--	------------------

BALANCE, JUNE 30, 2008		<u><u>\$ 4,383,504</u></u>
------------------------	--	----------------------------

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

Operating (loss)		\$ (693,103)
------------------	--	--------------

Adjustments to reconcile operating (loss) to net cash (used in) operating activities:

Depreciation expense		692,206
----------------------	--	---------

Other income		9,990
--------------	--	-------

Change in assets and liabilities:

Receivables, net		1,804
------------------	--	-------

Accounts and other payables		<u>(15,557)</u>
-----------------------------	--	-----------------

Net cash (used in) operating activities		<u><u>\$ (4,660)</u></u>
---	--	--------------------------

The notes are an integral part of the financial statements.

MARION TOWNSHIP  
STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2008

	Current Tax Fund	Escrow Fund	Total
<u>ASSETS</u>			
ASSETS			
Cash	\$ 400	\$ 32,964	\$ 33,364
Due from other funds		103	103
Total assets	\$ 400	\$ 33,067	\$ 33,467
<u>LIABILITIES</u>			
LIABILITIES			
Due to other funds	\$ 400	\$	\$ 400
Due to others		33,067	33,067
Total liabilities	\$ 400	\$ 33,067	\$ 33,467

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, 2008

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, 2008

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, 2008

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, 2008

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 2007 - 2008 fiscal year budget for each governmental fund was adopted by the Township Board in June of 2007. 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, 2008

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, 2008, the Township recognized the property taxes levied December 1, 2007 as revenue.

Taxable Value:	\$	444,071,659
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, 2008

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 fourteen (14) 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, 2008, deposits in banks totaled \$7,636,182 which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 1,100,000
Uninsured and Uncollateralized	<u>6,536,182</u>
	<u>\$ 7,636,182</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, 2008 the Township's investments were exposed to custodial credit risk as follows:

Insured by SIPC	\$ 500,000
Insured by commercial insurance	<u>1,663,750</u>
	<u>\$ 2,163,750</u>

MARION TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2008

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, 2008 the Township's investments were rated as follows:

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

The Township's investment policy addresses credit risk and investments held at June 30, 2008 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, 2008 the Township's investment portfolio was concentrated as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Percentage of Portfolio</u>
Prudential Funding Corporation	Commercial Paper	50%
General Electric	Commercial Paper	50%

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	\$ 1,083,297	\$ 1,084,900	99 days
Commercial Paper	1,080,388	1,078,900	24 days
SB Money Funds	<u>65</u>	<u>65</u>	
Total	<u>\$ 2,163,750</u>	<u>\$ 2,163,865</u>	

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

MARION TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2008

NOTE 3 - INTERFUND TRANSACTIONS AND BALANCES

Interfund transfers for the year ended June 30, 2008 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>	<u>Amount</u>
Recreation Fund	General Fund	Pay operating expenditures	\$ 82,500
Cemetery Fund	General Fund	Pay operating expenditures	59,500
General Fund	Loves Creek Fund	Close fund	1,101
General Fund	Road Paving Fund	Close fund	4,742
			<u>\$ 147,843</u>

Interfund receivables and payables between individual funds of the Township, as reported in the fund financial statements, as of June 30, 2008:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>June 30, 2008 Balance</u>
General Fund	Sewer Fund	\$ 3,403
General Fund	Recreation Fund	2,118
General Fund	Private Road Fund	9,316
General Fund	Cemetery Fund	6,000
General Fund	Water New User	3,403
General Fund	Tax Fund	400
Escrow Fund	General Fund	103
		<u>\$ 24,743</u>

MARION TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

**NOTE 4 - CAPITAL ASSETS**

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

	Balance 7/1/2007	Additions	Deletions	Balance 6/30/2008
General Government				
Land	\$ 197,421	\$	\$	\$ 197,421
Buildings	1,204,795			1,204,795
Equipment	46,651	8,283		54,934
Parks and recreation		58,707		58,707
Construction in progress	45,867	17,015	58,707	4,175
<b>Total</b>	<b>1,494,734</b>	<b>84,005</b>	<b>58,707</b>	<b>1,520,032</b>
Less accumulated depreciation	(366,326)	(36,553)		(402,879)
<b>Net book value</b>	<b>\$ 1,128,408</b>	<b>\$ 47,452</b>	<b>\$ 58,707</b>	<b>\$ 1,117,153</b>

The governmental funds had \$36,553 of depreciation for the year ended June 30, 2008. Depreciation was allocated to the following functions in the government-wide financial statements:

General government	\$ 32,791
Parks and recreation	3,762
<b>Total</b>	<b>\$ 36,553</b>

As of June 30, 2008 there was \$120,402 of debt associated with the governmental capital assets.

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

	Balance 7/1/2007	Additions	Deletions	Balance 6/30/2008
Sewer collection system	\$ 14,035,775	\$	\$	\$ 14,035,775
Sewer plant	9,795,116			9,795,116
Computers, equipment, software	134,102			134,102
Land	166,051			166,051
<b>Total cost</b>	<b>24,131,044</b>			<b>24,131,044</b>
Less accumulated depreciation	(4,461,139)	(692,206)		(5,153,345)
<b>Net book value</b>	<b>\$ 19,669,905</b>	<b>\$ (692,206)</b>	<b>\$</b>	<b>\$ 18,977,699</b>

MARION TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

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%	\$ 581,481
Livingston County Joint Water System Series E	\$ 743,750	\$ 22,222 — \$ 53,472	6/1/2016	5.20 — 5.375%	<u>390,278</u>
Total contracts payable outstanding					<u><u>\$ 971,759</u></u>

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	\$ 113,657	\$ 53,409
2010	113,657	47,175
2011	113,657	40,941
2012	126,157	34,706
2013	126,157	27,816
2014 - 2016	<u>378,474</u>	<u>41,751</u>
	<u><u>\$ 971,759</u></u>	<u><u>\$ 245,798</u></u>

MARION TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2008

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%	\$ 1,370,000
Business-type activities:					
2005 Sanitary Sewer refunding bonds	\$ 13,525,000	\$ 115,000 — \$ 1,210,000	6/1/2019	3.5 — 4.2%	<u>11,925,000</u>
Total general obligation bonds					<u>\$ 13,295,000</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
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	180,000	23,950	1,155,000	294,430
2014 - 2018	430,000	29,975	5,725,000	774,556
2019			480,000	20,160
	<u>\$ 1,370,000</u>	<u>\$ 211,137</u>	<u>\$ 11,925,000</u>	<u>\$ 2,701,971</u>



MARION TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

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>\$ 120,402</u>

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	\$ 17,679	\$ 3,670
2010	18,256	3,093
2011	18,852	2,497
2012	19,462	1,887
2013	20,102	1,247
2014 - 2015	26,051	634
	<u>\$ 120,402</u>	<u>\$ 13,028</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2008:

	Balance 7/1/2007	Additions	Reductions	Balance 6/30/2008	Due Within One Year
Governmental activities:					
Contracts payable	\$ 1,085,417	\$	\$ 113,658	\$ 971,759	\$ 113,657
General obligation bonds	1,565,000		195,000	1,370,000	195,000
Installment loans	137,511		17,109	120,402	17,679
Governmental activity long-term liabilities	2,787,928		325,767	2,462,161	326,336
Business-type activities:					
General obligation bonds	13,040,000		1,115,000	11,925,000	1,110,000
Total long-term liabilities	<u>\$ 15,827,928</u>	<u>\$</u>	<u>\$ 1,440,767</u>	<u>\$ 14,387,161</u>	<u>\$ 1,436,336</u>

MARION TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 - SEGMENT INFORMATION - BUSINESS-TYPE ACTIVITIES

The following represents segment information for the proprietary fund:

Service provided: sewage disposal		
Net (loss)	\$	389,599
Total assets		36,638,119
Working capital		4,067,038
Total liabilities		11,946,927
Total net assets		24,691,192
Net changes in cash and cash equivalents		131,245

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, 2008 was \$343,312 total payroll for the year was \$368,850.

TOTAL CURRENT YEAR EMPLOYER CONTRIBUTIONS \$ 27,550

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, 2008. 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>7/1/2007</u>	<u>6/30/2008</u>
Current assets		
Cash and cash equivalents	<u>\$ 4,252,259</u>	<u>\$ 4,383,504</u>

MARION TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

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 700 customers connected and being billed as of June 30, 2008. The sewer fund had an operating loss of \$897 (after adding back depreciation expense) for the year ended June 30, 2008. 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, 2008

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$	\$	\$ 369,309	\$
Licenses and permits			105,830	
State shared revenues			465,771	
Charges for services			122,606	
Other revenues			115,543	
			<u>1,179,059</u>	
Total revenues	1,079,715	1,084,433	1,179,059	94,626
EXPENDITURES	<u>1,000,059</u>	<u>1,090,296</u>	<u>897,943</u>	<u>192,353</u>
Excess of revenues over (under) expenditures	<u>79,656</u>	<u>(5,863)</u>	<u>281,116</u>	<u>286,979</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			5,843	5,843
Transfers (out)	<u>(92,000)</u>	<u>(92,000)</u>	<u>(142,000)</u>	<u>(50,000)</u>
Total other financing (uses)	<u>(92,000)</u>	<u>(92,000)</u>	<u>(136,157)</u>	<u>(44,157)</u>
Net change in fund balance	(12,344)	(97,863)	144,959	242,822
FUND BALANCE, JULY 1, 2007	<u>1,498,179</u>	<u>1,498,179</u>	<u>1,498,179</u>	
FUND BALANCE, JUNE 30, 2008	<u>\$ 1,485,835</u>	<u>\$ 1,400,316</u>	<u>\$ 1,643,138</u>	<u>\$ 242,822</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, 2008

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Special assessments - principal	\$	\$	\$ 261,177	\$
Special assessments - interest			142,269	
Interest income			43,400	
Total revenues	<u>413,000</u>	<u>413,000</u>	<u>446,846</u>	<u>33,846</u>
<b>EXPENDITURES</b>				
Debt - principal			308,657	
Debt - interest			113,746	
Other			8,722	
Total expenditures	<u>422,903</u>	<u>422,903</u>	<u>431,125</u>	<u>(8,222)</u>
Net change in fund balance	(9,903)	(9,903)	15,721	25,624
FUND BALANCE, JULY 1, 2007	<u>934,322</u>	<u>934,322</u>	<u>934,322</u>	
FUND BALANCE, JUNE 30, 2008	<u>\$ 924,419</u>	<u>\$ 924,419</u>	<u>\$ 950,043</u>	<u>\$ 25,624</u>

SUPPLEMENTARY  
INFORMATION

COMBINING  
FINANCIAL  
STATEMENTS



MARION TOWNSHIP  
 ALL SPECIAL REVENUE FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2008

	<u>Cemetery Fund</u>	<u>Recreation Fund</u>	<u>Private Road Fund</u>
<u>ASSETS</u>			
ASSETS			
Cash	\$ 72,535	\$ 126,438	\$ 1
Note receivable - water new user			
Special assessments receivable			9,315
Accrued interest receivable			
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 72,535</u>	<u>\$ 126,438</u>	<u>\$ 9,316</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	\$ 1,033	\$ 8,555	\$
Due to other funds	6,000	2,118	9,316
Deferred revenue			
	<hr/>	<hr/>	<hr/>
Total liabilities	7,033	10,673	9,316
FUND BALANCE	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ 72,535</u>	<u>\$ 126,438</u>	<u>\$ 9,316</u>

Water System Assessment Fund	Totals
\$ 940,043	\$ 1,139,017
1,050,000	1,050,000
1,919,758	1,929,073
<u>10,000</u>	<u>10,000</u>
<u>\$ 3,919,801</u>	<u>\$ 4,128,090</u>

\$	\$ 9,588
	17,434
<u>2,969,758</u>	<u>2,969,758</u>
2,969,758	2,996,780
<u>950,043</u>	<u>1,131,310</u>
<u>\$ 3,919,801</u>	<u>\$ 4,128,090</u>

MARION TOWNSHIP  
 ALL SPECIAL REVENUE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2008

	Cemetery Fund	Recreation Fund	Loves Creek Fund
<b>REVENUES</b>			
Special assessments - principal	\$	\$	\$
Special assessments - interest			
Service charges	5,000		
Donations		1,000	
Interest income	56	1,602	6
Other income	47		
	<u>5,103</u>	<u>2,602</u>	<u>6</u>
Total revenues			
<b>EXPENDITURES</b>			
Construction and maintenance	13,564	2,569	561
Debt - principal			
Debt - interest			
Capital outlay		32,015	
Agent fees			
Other expenditures			
Commission contribution		57,500	
	<u>13,564</u>	<u>92,084</u>	<u>561</u>
Total expenditures			
Excess of revenues over (under) expenditures	<u>(8,461)</u>	<u>(89,482)</u>	<u>(555)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	59,500	82,500	
Transfers (out)			(1,101)
	<u>59,500</u>	<u>82,500</u>	<u>(1,101)</u>
Total other financing sources (uses)			
Net changes in fund balances	51,039	(6,982)	(1,656)
FUND BALANCE, JULY 1, 2007	<u>14,463</u>	<u>122,747</u>	<u>1,656</u>
FUND BALANCE, JUNE 30, 2008	<u>\$ 65,502</u>	<u>\$ 115,765</u>	<u>\$</u>

Road Paving Assessment Fund	Water System Assessment Fund	Private Road Fund	Totals
\$	\$ 261,177 142,269	\$	\$ 261,177 142,269
		9,316	14,316
20	43,400		1,000 45,084
<u>20</u>	<u>446,846</u>	<u>9,316</u>	<u>463,893</u> 47
		9,316	26,010
	308,657 113,746		308,657 113,746
	381		32,015 381
	8,341		8,341
			<u>57,500</u>
	<u>431,125</u>	<u>9,316</u>	<u>546,650</u>
<u>20</u>	<u>15,721</u>		<u>(82,757)</u>
<u>(4,742)</u>			142,000 <u>(5,843)</u>
<u>(4,742)</u>			<u>136,157</u>
<u>(4,722)</u>	15,721		53,400
<u>4,722</u>	<u>934,322</u>		<u>1,077,910</u>
<u>\$</u>	<u>\$ 950,043</u>	<u>\$</u>	<u>\$ 1,131,310</u>

INDIVIDUAL  
FUNDS

GENERAL  
FUND

MARION TOWNSHIP  
 GENERAL FUND  
 BALANCE SHEET  
 JUNE 30, 2008

ASSETS

ASSETS

Cash		\$ 1,491,517
Accounts receivable - state		149,871
Accrued interest receivable		18,400
Due from other funds		<u>24,640</u>
 Total assets		 <u><u>\$ 1,684,428</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 7,141	
Accrued wages and salaries	29,959	
Accrued pension	2,587	
Due to other funds	103	
Deferred revenues	<u>1,500</u>	
 Total liabilities		 \$ 41,290

FUND BALANCE

		<u>1,643,138</u>
 Total liabilities and fund balance		 <u><u>\$ 1,684,428</u></u>

MARION TOWNSHIP  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 367,700	\$ 369,309	\$ 1,609
Licenses and permits	77,325	105,830	28,505
State shared revenues	460,000	465,771	5,771
Charges for services	125,400	122,606	(2,794)
Other revenues	54,008	115,543	61,535
Total revenues	1,084,433	1,179,059	94,626
EXPENDITURES	1,090,296	897,943	192,353
Excess of revenues over (under) expenditures	(5,863)	281,116	286,979
OTHER FINANCING SOURCES (USES)			
Transfers in		5,843	5,843
Transfers (out)	(92,000)	(142,000)	(50,000)
Total other financing (uses)	(92,000)	(136,157)	(44,157)
Net change in fund balance	(97,863)	144,959	242,822
FUND BALANCE, JULY 1, 2007	1,498,179	1,498,179	
FUND BALANCE, JUNE 30, 2008	\$ 1,400,316	\$ 1,643,138	\$ 242,822



MARION TOWNSHIP  
GENERAL FUND  
STATEMENT OF REVENUES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
PROPERTY TAXES	<u>\$ 367,700</u>	<u>\$ 369,309</u>	<u>\$ 1,609</u>
LICENSES AND PERMITS			
Licenses, fees, permits		7,922	
Cable franchise fees		97,908	
Total licenses and permits	<u>77,325</u>	<u>105,830</u>	<u>28,505</u>
STATE SHARED REVENUES	<u>460,000</u>	<u>465,771</u>	<u>5,771</u>
CHARGES FOR SERVICES			
Meeting fees		1,800	
Tax collection administration		120,806	
Total charges for services	<u>125,400</u>	<u>122,606</u>	<u>(2,794)</u>
OTHER REVENUES			
Printing and publications		220	
Interest income		58,264	
Fire station lease		19,658	
Cell tower lease		24,400	
Rental income		535	
Miscellaneous		2,942	
Metro act		9,524	
Total other revenues	<u>54,008</u>	<u>115,543</u>	<u>61,535</u>
Total revenues	<u>\$ 1,084,433</u>	<u>\$ 1,179,059</u>	<u>\$ 94,626</u>

MARION TOWNSHIP  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>TOWNSHIP BOARD</b>			
Salaries	\$	\$ 32,558	\$
Meetings and seminars		227	
Mileage		64	
Printing and publications		4,477	
	<u>44,900</u>	<u>37,326</u>	<u>7,574</u>
<b>TOTAL township board</b>			
<b>SUPERVISOR</b>			
Salary		32,553	
Mileage		140	
Meetings and seminars		264	
Miscellaneous		150	
	<u>34,103</u>	<u>33,107</u>	<u>996</u>
<b>TOTAL supervisor</b>			
<b>PUBLIC WORKS</b>			
Mileage	400	88	312
<b>ELECTIONS</b>			
Salaries		3,440	
Supplies		2,041	
Postage		1,116	
Mileage		16	
Miscellaneous		238	
	<u>10,750</u>	<u>6,851</u>	<u>3,899</u>
<b>TOTAL elections</b>			
<b>PROFESSIONAL FEES</b>			
Audit fees		8,525	
Software support		2,143	
Engineering fees		6,661	
	<u>19,850</u>	<u>17,329</u>	<u>2,521</u>
<b>TOTAL professional fees</b>			
<b>ASSESSOR</b>			
Salaries		78,940	
Professional fees		1,044	
Dues and memberships		380	
Training and seminars		1,142	
Supplies		1,112	
Mileage		616	
Miscellaneous		310	
Postage		1,997	
	<u>87,453</u>	<u>85,541</u>	<u>1,912</u>
<b>TOTAL assessor</b>			

MARION TOWNSHIP  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued  
FOR THE YEAR ENDED JUNE 30, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
LEGAL			
Attorneys		65,598	
Consultants and engineering		15,140	
Total legal	105,850	80,738	25,112
CLERK			
Salaries		57,417	
Mileage		316	
Training, seminars and dues		3,708	
Supplies		196	
Total clerk	61,579	61,637	(58)
BOARD OF REVIEW			
Salaries		3,413	
Supplies and publications		598	
Total board of review	4,200	4,011	189
TREASURER			
Salaries		63,612	
Supplies		4,922	
Legal fees		453	
Mileage		1,011	
Miscellaneous		51	
Training		1,197	
Total treasurer	67,403	71,246	(3,843)

MARION TOWNSHIP  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>UNALLOCATED</b>			
Salaries - secretary		27,040	
Custodial		2,200	
Payroll taxes		28,235	
Insurance - health		108,577	
Insurance - general		49,087	
Pension		27,550	
Pension - administration		4,577	
Trash removal		333	
Supplies		4,245	
Equipment - maintenance		2,115	
Postage		2,895	
Grounds maintenance		8,712	
Buildings maintenance		5,451	
Telephone		4,419	
Utilities		7,557	
Internet		99	
Tax roll preparation		5,599	
Payroll processing		1,853	
Escrow losses		3,503	
Miscellaneous		144	
	<u>309,775</u>	<u>294,191</u>	<u>15,584</u>
<b>NPDES PHASE II</b>			
Salary		6,571	
Permit		500	
Project costs		5,565	
	<u>14,000</u>	<u>12,636</u>	<u>1,364</u>
<b>ZONING ADMINISTRATOR</b>			
Salary		42,683	
Legal fees		4,064	
Miscellaneous		360	
Mileage		644	
Planning fees		1,728	
Training		308	
Engineering		4,662	
	<u>55,763</u>	<u>54,449</u>	<u>1,314</u>

MARION TOWNSHIP  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>PLANNING COMMISSION</b>			
Salaries		6,545	
Consultant		9,258	
Legal fees		3,394	
Training		710	
Printing and publications		836	
Supplies		17	
	<u>24,950</u>	<u>20,760</u>	<u>4,190</u>
<b>ZONING BOARD OF APPEALS</b>			
Salaries		3,275	
Training		357	
Printing and publications		465	
	<u>7,200</u>	<u>4,097</u>	<u>3,103</u>
<b>DRAINS</b>			
	<u>6,000</u>	<u>5,880</u>	<u>120</u>
<b>ROADS</b>			
Road maintenance		1,580	
Dust control		76,624	
	<u>192,000</u>	<u>78,204</u>	<u>113,796</u>
<b>RECREATION</b>			
	<u>20</u>	<u>20</u>	
<b>BUILDING IMPROVEMENT</b>			
Capital outlay - equipment		8,483	
Debt service - principal and interest		21,349	
	<u>34,100</u>	<u>29,832</u>	<u>4,268</u>
<b>CONTINGENCY</b>			
	<u>10,000</u>		<u>10,000</u>
Total expenditures	<u>\$ 1,090,296</u>	<u>\$ 897,943</u>	<u>\$ 192,353</u>

CEMETERY  
FUND

MARION TOWNSHIP  
CEMETERY FUND  
BALANCE SHEET  
JUNE 30, 2008

ASSETS

ASSETS  
Cash

\$ 72,535

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable  
Due to other funds

\$ 1,033  
6,000

Total liabilities

\$ 7,033

FUND BALANCE

65,502

Total liabilities and fund balance

\$ 72,535

MARION TOWNSHIP  
 CEMETERY FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Service charges	\$	\$ 5,000	\$
Interest		56	
Other income		47	
Total revenues	5,100	5,103	3
EXPENDITURES			
Maintenance		7,564	
Sexton salary		6,000	
Total expenditures	13,600	13,564	36
Excess of revenues over (under) expenditures	(8,500)	(8,461)	39
OTHER FINANCING SOURCES (USES)			
Transfers in	9,500	59,500	50,000
Net change in fund balance	1,000	51,039	50,039
FUND BALANCE, JULY 1, 2007	14,463	14,463	
FUND BALANCE, JUNE 30, 2008	\$ 15,463	\$ 65,502	\$ 50,039



RECREATION  
FUND

MARION TOWNSHIP  
RECREATION FUND  
BALANCE SHEET  
JUNE 30, 2008

ASSETS

ASSETS  
Cash

\$ 126,438

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable  
Due to other funds

\$ 8,555  
2,118

Total liabilities

\$ 10,673

FUND BALANCE

115,765

Total liabilities and fund balance

\$ 126,438

MARION TOWNSHIP  
RECREATION FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Donations	\$	\$ 1,000	\$
Interest income		1,602	
Total revenues	2,000	2,602	602
EXPENDITURES			
Salaries		1,500	
Capital outlay		32,015	
Commission contribution		57,500	
Maintenance		1,069	
Total expenditures	104,000	92,084	11,916
Excess of revenues over (under) expenditures	(102,000)	(89,482)	12,518
OTHER FINANCING SOURCES (USES)			
Transfers in	82,500	82,500	
Net change in fund balance	(19,500)	(6,982)	12,518
FUND BALANCE, JULY 1, 2007	122,747	122,747	
FUND BALANCE, JUNE 30, 2008	\$ 103,247	\$ 115,765	\$ 12,518

LOVES CREEK  
FUND

MARION TOWNSHIP  
 LOVES CREEK FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Interest income	\$	\$ 6	\$ 6
EXPENDITURES			
Maintenance	<u>3,000</u>	<u>561</u>	<u>2,439</u>
Excess of revenues over (under) expenditures	(3,000)	(555)	2,445
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u></u>	<u>(1,101)</u>	<u>(1,101)</u>
Net change in fund balance	(3,000)	(1,656)	1,344
FUND BALANCE, JULY 1, 2007	<u>1,656</u>	<u>1,656</u>	<u></u>
FUND BALANCE, JUNE 30, 2008	<u>\$ (1,344)</u>	<u>\$</u>	<u>\$ 1,344</u>

ROAD PAVING  
ASSESSMENT  
FUND

MARION TOWNSHIP  
ROAD PAVING ASSESSMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2008

REVENUES	\$	20
Interest income		
 EXPENDITURES		
Excess of revenues over (under) expenditures		20
 OTHER FINANCING SOURCES (USES)		
Transfer out		(4,742)
Net change in fund balance		(4,722)
 FUND BALANCE, JULY 1, 2007		4,722
 FUND BALANCE, JUNE 30, 2008	\$	

WATER SYSTEM  
ASSESSMENT  
FUND



MARION TOWNSHIP  
WATER SYSTEM ASSESSMENT FUND  
BALANCE SHEET  
JUNE 30, 2008

ASSETS

ASSETS

Cash	\$	940,043
Special assessments and mortgage receivable		1,919,758
Accrued interest receivable		10,000
Note receivable - water new user		<u>1,050,000</u>

Total assets		<u>\$ 3,919,801</u>
--------------	--	---------------------

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred revenue - special assessments and mortgage receivable	\$	1,919,758
Deferred revenue - water new user		<u>1,050,000</u>

Total liabilities		\$ 2,969,758
-------------------	--	--------------

FUND BALANCE

		<u>950,043</u>
--	--	----------------

Total liabilities and fund balance		<u>\$ 3,919,801</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, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Special assessments - principal	\$	\$ 261,177	\$
Special assessments - interest		142,269	
Interest income		43,400	
Total revenues	413,000	446,846	33,846
EXPENDITURES			
Debt - principal		308,657	
Debt - interest		113,746	
Agent fees		381	
Professional fees		1,500	
Miscellaneous		6,841	
Total expenditures	422,903	431,125	(8,222)
Net change in fund balance	(9,903)	15,721	25,624
FUND BALANCE, JULY 1, 2007	934,322	934,322	
FUND BALANCE, JUNE 30, 2008	\$ 924,419	\$ 950,043	\$ 25,624

PRIVATE ROAD  
FUND

MARION TOWNSHIP  
PRIVATE ROAD FUND  
BALANCE SHEET  
JUNE 30, 2008

		<u>ASSETS</u>	
ASSETS			
Cash			\$ 1
Accounts receivable			<u>9,315</u>
Total assets			<u>\$ 9,316</u>
		<u>LIABILITIES</u>	
LIABILITIES			
Due to other funds			<u>\$ 9,316</u>

MARION TOWNSHIP  
PRIVATE ROAD FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2008

REVENUES	
Special assessments	\$ 9,316
EXPENDITURES	
Project costs	<u>9,316</u>
Net change in fund balance	
FUND BALANCE, JULY 1, 2007	<u>          </u>
FUND BALANCE, JUNE 30, 2008	<u><u>\$          </u></u>

WATER  
NEW USER  
FUND

MARION TOWNSHIP  
WATER NEW USER FUND  
BALANCE SHEET  
JUNE 30, 2008

ASSETS

ASSETS

Cash	\$	568,495
Special assessments receivable - unbonded		<u>1,163,525</u>
 Total assets		 <u><u>\$ 1,732,020</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$	3,741
Deferred revenue - unbonded		1,163,525
Due to other funds		<u>3,403</u>
 Total liabilities		 \$ 1,170,669

FUND BALANCE

		<u>561,351</u>
 Total liabilities and fund balance		 <u><u>\$ 1,732,020</u></u>

MARION TOWNSHIP  
 WATER NEW USER FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Special assessments - principal	\$	\$ 120,528	\$
Special assessments - interest		100,900	
Interest income		10,673	
Miscellaneous		5,025	
	<u>227,831</u>	<u>237,126</u>	<u>9,295</u>
EXPENDITURES			
Administration fees		3,403	
Professional fees		3,521	
	<u>1,000</u>	<u>6,924</u>	<u>(5,924)</u>
Net change in fund balance	226,831	230,202	3,371
FUND BALANCE, JULY 1, 2007	<u>331,149</u>	<u>331,149</u>	
FUND BALANCE, JUNE 30, 2008	<u>\$ 557,980</u>	<u>\$ 561,351</u>	<u>\$ 3,371</u>



SEWER  
FUND

MARION TOWNSHIP  
SEWER FUND  
STATEMENT OF REVENUES AND EXPENSES FOR OPERATIONS ONLY  
FOR THE YEARS ENDED JUNE 30, 2002 - 2008

	<u>6/30/2008</u>	<u>6/30/2007</u>	<u>6/30/2006</u>
<b>REVENUE</b>			
User charges - quarterly charges for usage	<u>\$ 196,837</u>	<u>\$ 155,289</u>	<u>\$ 150,605</u>
<b>EXPENSES</b>			
Contract labor	37,908	36,824	38,704
Sewer usage fee	93,033	76,836	79,656
Utilities	7,558	6,813	7,131
Telephone	2,978	3,055	2,873
Administrative fees -			
Reimbursement to general fund	3,403	4,656	6,281
Billing administrative (Genoa Twp.)	13,713	17,551	16,360
Professional fees	36,037	59,383	25,628
Repairs and maintenance	1,591	1,246	2,676
Miscellaneous	<u>1,513</u>	<u>          </u>	<u>          </u>
Total expenses	<u>197,734</u>	<u>206,364</u>	<u>179,309</u>
Net operating (loss)	<u><u>\$ (897)</u></u>	<u><u>\$ (51,075)</u></u>	<u><u>\$ (28,704)</u></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.

<u>6/30/2004</u>	<u>6/30/2003</u>	<u>6/30/2002</u>
<u>\$ 82,997</u>	<u>\$ 51,546</u>	<u>\$ 26,503</u>
34,176	29,014	21,468
76,128	67,525	64,962
4,715	4,845	4,350
2,789	2,785	2,751
8,059	10,947	2,615
12,134	5,745	2,935
5,485	1,560	3,500
14,109		
<u>157,595</u>	<u>122,421</u>	<u>102,581</u>
<u>\$ (74,598)</u>	<u>\$ (70,875)</u>	<u>\$ (76,078)</u>

MARION TOWNSHIP  
SEWER FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
User charges	\$ 145,000	\$ 196,837	\$ 51,837
Interest income - assessments	663,000	612,493	(50,507)
Interest income - bank	50,000	244,386	194,386
Connection fees - developer contributions	300,000		(300,000)
Connection fees		11,250	11,250
Other income		9,990	9,990
	<hr/>	<hr/>	<hr/>
Total revenues	1,158,000	1,074,956	(83,044)
<b>EXPENSES</b>			
Amortization - bond issuance costs		18,630	(18,630)
Debt-interest expense	510,000	555,872	(45,872)
Maintenance of system (contract labor)	45,000	37,908	7,092
Administrative fees - billing admin.	18,000	13,713	4,287
Professional fees	12,000	36,037	(24,037)
Administrative fees - reimbursement to general fund	11,045	3,403	7,642
Agent fees	500	113	387
Repairs and maintenance		1,591	(1,591)
Utilities	8,500	7,558	942
Sewer usage	85,000	93,033	(8,033)
Depreciation	760,000	692,206	67,794
Telephone	4,500	2,978	1,522
Other		1,513	(1,513)
	<hr/>	<hr/>	<hr/>
Total expenses	1,454,545	1,464,555	(10,010)
Net change in net assets	(296,545)	(389,599)	(93,054)
<b>BEGINNING NET ASSETS</b>	<hr/>	<hr/>	<hr/>
	25,080,791	25,080,791	
<b>ENDING NET ASSETS</b>	<hr/>	<hr/>	<hr/>
	\$ 24,784,246	\$ 24,691,192	\$ (93,054)

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 NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008

	Retained Earnings Reserved	Retained Earnings (Deficit) Unreserved	Total
BALANCES, JULY 1, 2007	\$ 25,435,251	\$ (354,460)	\$ 25,080,791
Operating (loss) excluding depreciation expense		(897)	(897)
Connection fees	11,250		11,250
Depreciation (expense)	(692,206)		(692,206)
Interest income	856,879		856,879
Other income		9,990	9,990
Interest (expense) - debt	(555,872)		(555,872)
Agent (fees) - debt	(113)		(113)
Amortization - bond issuance costs	(18,630)		(18,630)
BALANCES, JUNE 30, 2008	<u>\$ 25,036,559</u>	<u>\$ (345,367)</u>	<u>\$ 24,691,192</u>

CURRENT  
TAX  
FUND

MARION TOWNSHIP  
CURRENT TAX FUND  
BALANCE SHEET  
JUNE 30, 2008

<u>ASSETS</u>		
ASSETS		
Cash		<u>\$ 400</u>
 <u>LIABILITIES</u>		
LIABILITIES		
Due to other funds		<u>\$ 400</u>

ESCROW  
FUND



MARION TOWNSHIP  
ESCROW FUND  
BALANCE SHEET  
JUNE 30, 2008

ASSETS

ASSETS

Cash

\$ 32,964

Due from other funds

103

Total assets

\$ 33,067

LIABILITIES

LIABILITIES

Due to others

\$ 33,067

**John M. Pfeffer, C.P.A.**  
**Patrick M. Hanniford, C.P.A.**  
**Kenneth J. Palka, C.P.A.**

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October 1, 2008

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

Dear Honorable Board of Trustees:

During our audit of Marion Township we came across various matters that we would like to discuss with you as part of our audit presentation for the year ending June 30, 2008.

The matters which we would like to discuss with you are as follows:

Auditing standards require us to communicate to you significant deficiencies in your internal controls and accounting procedures.

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 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 principles. It should be noted that these journal entries were related to the full-accrual presentation of the government-wide statements (converting fund financial statements to full accrual statements).

We have previously discussed this matter with you and your response was as follows:

Response by Marion Township Management

We understand that you must follow auditing standards to complete the audit in accordance with Generally Accepted Auditing Standards as applicable to the audit of the Township. However, we prefer that you as our auditing firm continue to make the applicable journal entries to convert the fund financial statements to full accrual statements as required by GASB 34. We believe the costs to circumvent this comment would outweigh the benefits to the Township.

The following are other matters we would like to discuss with you:

1. Diversification of Cash and Investments

Due to the problems related to the banking industry we suggest the Township continue to evaluate its diversification in the number of financial institutions it invests its monies. As of June 30, 2008 the Township had over \$4.9 million in one bank.

2. Program Offered by Bank

In dealing with other audit clients we have found a program offered by some banks which offers some improved controls of disbursements (checks clearing the account). Each morning an individual from the Township would receive an electronic file from the bank which lists all disbursements that are about to clear the Township's bank accounts. This individual would review this list and stop any disbursements which appeared unreasonable. We suggest the Township investigate this program and set-up procedures to act on it if the Township believes it would be beneficial (benefits exceed the costs). We believe this added control would help ensure against fraudulent checks clearing its account.

3. Disbursements

We noted a few 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. Personnel Files

We randomly selected a few employee files to verify the proper paperwork (governmental forms, identification documents) were included in each file. We found one (1) file with no paperwork and two (2) files were missing I-9 and "New Hire Reporting Forms". We recommend a review of all personnel files be done to properly maintain required documents in each file. We suggest at a minimum, the Township require the following documents in each employee file:

- W-4 Forms (federal and state)
- I-9 Forms
- New Hire Reporting Form
- Signed employee manual

Conclusion

Thank you for your assistance and hospitality toward our firm while conducting the audit of Marion Township.

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

This report is intended solely for the information and use of the 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