

# MARION TOWNSHIP

## Report on Audit of Financial Statements

**For the Year Ended June 30, 2009**

**MARION TOWNSHIP**

**TOWNSHIP OFFICIALS**

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

**BOARD OF TRUSTEES**

Robert Hanvey  
Tammy Beal  
Paula Wyckoff  
Daniel Lowe  
Scott Lloyd  
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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*AICPA Private Practice Companies Section*  
*MACPA*

October 12, 2009

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, 2009, 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, 2009, 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 44 and 47 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, 2009

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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, 2009. 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 \$38,062,780. This is a \$3,711,184 decrease over last year's net assets of \$41,773,964.



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 2009	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2008
<u>ASSETS</u>						
ASSETS						
Current and other assets	\$ 17,487,977	\$ 18,482,296	\$ 14,656,371	\$ 17,660,420	\$ 32,144,348	\$ 36,142,716
Capital assets	1,163,550	1,117,153	18,295,965	18,977,699	19,459,515	20,094,852
Total assets	<u>18,651,527</u>	<u>19,599,449</u>	<u>32,952,336</u>	<u>36,638,119</u>	<u>51,603,863</u>	<u>56,237,568</u>
<u>LIABILITIES</u>						
LIABILITIES						
Other liabilities	296,334	54,516	293,924	21,927	590,258	76,443
Bonds/contracts payable	2,135,825	2,462,161	10,815,000	11,925,000	12,950,825	14,387,161
Total liabilities	<u>2,432,159</u>	<u>2,516,677</u>	<u>11,108,924</u>	<u>11,946,927</u>	<u>13,541,083</u>	<u>14,463,604</u>
<u>NET ASSETS</u>						
NET ASSETS						
Invested in capital assets, net of related debt	1,060,827	996,751	7,480,965	7,052,699	8,541,792	8,049,450
Unrestricted	12,530,732	16,086,021	581,396	17,638,493	13,112,128	33,724,514
Restricted	2,627,809	<u>                    </u>	13,781,051	<u>                    </u>	16,408,860	<u>                    </u>
Total net assets	<u>\$ 16,219,368</u>	<u>\$ 17,082,772</u>	<u>\$ 21,843,412</u>	<u>\$ 24,691,192</u>	<u>\$ 38,062,780</u>	<u>\$ 41,773,964</u>

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

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2008
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 232,171	\$ 242,752	\$ 190,260	\$ 196,837	\$ 422,431	\$ 439,589
Operating contributions	11,600	1,000			11,600	1,000
Capital contributions			10,000	11,250	10,000	11,250
General revenues:						
State shared revenues	446,479	465,771			446,479	465,771
Property taxes	370,687	369,309			370,687	369,309
Interest income - cash and assessments	294,670	357,191	661,118	856,879	955,788	1,214,070
Other	50,382	62,351		9,990	50,382	72,341
Change in equity of joint ventures	(65,198)				(65,198)	
<b>Total revenues</b>	<b>1,340,791</b>	<b>1,498,374</b>	<b>861,378</b>	<b>1,074,956</b>	<b>2,202,169</b>	<b>2,573,330</b>
<b>EXPENSES</b>						
General government	813,088	804,274			813,088	804,274
Parks and recreation	79,867	78,851			79,867	78,851
Public works	366,995	135,514			366,995	135,514
Interest on long-term debt	113,994	126,646			113,994	126,646
Sewer system			1,205,091	1,464,555	1,205,091	1,464,555
Bad debt provision	830,251		2,504,067		3,334,318	
<b>Total expenses</b>	<b>2,204,195</b>	<b>1,145,285</b>	<b>3,709,158</b>	<b>1,464,555</b>	<b>5,913,353</b>	<b>2,609,840</b>
Change in net assets	(863,404)	353,089	(2,847,780)	(389,599)	(3,711,184)	(36,510)
<b>BEGINNING 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>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>11,947,058</b>				<b>11,947,058</b>	
<b>ENDING NET ASSETS</b>	<b>\$ 16,219,368</b>	<b>\$ 5,135,714</b>	<b>\$ 21,843,412</b>	<b>\$ 24,691,192</b>	<b>\$ 38,062,780</b>	<b>\$ 29,826,906</b>

The governmental activity net assets decreased by \$798,206. Such decrease is primarily result of estimated bad assessment provision booked during the current fiscal year.

The business-type activity expenses exceeded revenues by \$2,847,780 for the year ended June 30, 2009. This is due to a lack of connection fees, large estimated bad assessment provision and depreciation on capital assets.

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

The Township had four major funds for the year ended June 30, 2009. Three of the four major funds were governmental funds which included: the General Fund, the Water System Assessment Fund, and the Water New User Fund. The sole business-type fund was the Sewer Fund.

The General Fund had revenues exceeding expenditures by \$27,380. This is lower than the previous year due to additional spending on public works projects.

The Water System Assessment Fund had revenues under expenditures totaling \$13,371. This fund accounts for the assessment and related debt service for the Township's participation in the Marion Howell Oceola 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 expenditures exceeded revenues by \$40,278. This fund accounts for the tap-ins and unbonded assessments for the Township's participation in the Marion Howell Oceola Genoa (MHOG) water authority. The primary reason for such decrease is large anticipated special assessment chargeback recognized this year.

The Township's sole business-type fund, the Sewer Fund, had a net loss of \$2,847,780. This loss is largely due to a lack of connection fees paid to the Township, estimated provision for bad special assessments, and depreciation on capital assets.

#### General Fund Budgetary Highlights

The Township adopted its budget prior to beginning operations for the year ended June 30, 2009. Total appropriations exceeded actual expenditures by \$23,370. 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 \$83,957 in capital outlay for cemetery land and park construction. During the year, the business-type fund, made \$10,833 in improvements to the sewage treatment plant's collection system.

The governmental funds issued no new debt during the year, but spent \$326,336 on principal and \$113,994 of interest on existing debt. The remaining debt in the governmental funds at June 30, 2009 was \$2,135,825.

The business-type funds issued no new debt during the year, but spent \$1,110,000 of principal and \$515,732 of interest on existing debt. The remaining debt in the business-type funds at June 30, 2009 was \$10,815,000.

#### 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) is not expected to increase in the near future. Defaults on special assessments levied to repay debt issued to construct water and sewer systems has risen in recent years and is an area that will be monitored closely going forward.

#### 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, 2009

	Governmental Activities	Business-type Activities	Primary Governmental Total
<u>ASSETS</u>			
ASSETS			
Cash and cash equivalents	\$ 1,582,246	\$ 14,775	\$ 1,597,021
Cash and cash equivalents restricted for capital and debt	1,698,762	6,539,051	8,237,813
Receivables:			
State shared revenues	134,277		134,277
Accounts	4,000	62,698	66,698
Interest	5,126	1,660	6,786
Special assessments restricted for capital and debt			
Current	320,369	877,255	1,197,624
Noncurrent	1,805,420	6,633,931	8,439,351
Internal balances	2,557	(2,557)	
Investment in joint ventures	11,881,860		11,881,860
Capital assets, net	1,163,550	18,295,965	19,459,515
Bond issuance costs, net	31,015	145,960	176,975
Deferred amount on refunding bonds, net	22,345	383,598	405,943
Total assets	18,651,527	32,952,336	51,603,863
<u>LIABILITIES</u>			
LIABILITIES			
Accounts payable	21,658	23,078	44,736
Accrued liabilities	272,951	270,846	543,797
Deferred revenues	1,725		1,725
Noncurrent liabilities:			
Due within one year	321,913	1,150,000	1,471,913
Due beyond one year	1,813,912	9,665,000	11,478,912
Total liabilities	2,432,159	11,108,924	13,541,083
<u>NET ASSETS</u>			
NET ASSETS			
Invested in capital assets, net of related debt	1,060,827	7,480,965	8,541,792
Restricted for:			
Road construction and maintenance	18,821		18,821
Capital projects	1,133,256	2,805,110	3,938,366
Debt service	1,475,732	10,975,941	12,451,673
Unrestricted	12,530,732	581,396	13,112,128
Total net assets	\$ 16,219,368	\$ 21,843,412	\$ 38,062,780

The notes are an integral part of the financial statements.

MARION TOWNSHIP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

<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	\$ (813,088)	\$ 228,171	\$ 9,576	\$
Parks and recreation	(79,867)		2,024	
Public works	(366,995)	4,000		
Interest on long-term debt	(113,994)			
Total governmental activities	<u>(1,373,944)</u>	<u>232,171</u>	<u>11,600</u>	
<b>BUSINESS-TYPE ACTIVITIES</b>				
Sewer system	<u>(1,205,091)</u>	<u>190,260</u>		<u>10,000</u>
Total	<u>\$ (2,579,035)</u>	<u>\$ 422,431</u>	<u>\$ 11,600</u>	<u>\$ 10,000</u>

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

Total general revenues

Bad debt provision on special assessments  
Change in equity of joint ventures

Changes in net assets

Net assets, July 1, 2008

Prior period adjustment

Net assets, June 30, 2009

The notes are an integral part of the financial statements.

Net (Expenses) Revenue and Changes  
in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (575,341)	\$	\$ (575,341)
(77,843)		(77,843)
(362,995)		(362,995)
(113,994)		(113,994)
<u>(1,130,173)</u>		<u>(1,130,173)</u>
	(1,004,831)	(1,004,831)
<u>(1,130,173)</u>	<u>(1,004,831)</u>	<u>(2,135,004)</u>
370,687		370,687
446,479		446,479
238,554	559,836	798,390
56,116	101,282	157,398
49,038		49,038
1,344		1,344
<u>1,162,218</u>	<u>661,118</u>	<u>1,823,336</u>
(830,251)	(2,504,067)	(3,334,318)
(65,198)		(65,198)
<u>(863,404)</u>	<u>(2,847,780)</u>	<u>(3,711,184)</u>
5,135,714	24,691,192	29,826,906
<u>11,947,058</u>		<u>11,947,058</u>
<u>\$ 16,219,368</u>	<u>\$ 21,843,412</u>	<u>\$ 38,062,780</u>



FUND  
FINANCIAL STATEMENTS

MARION TOWNSHIP  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	Major Funds		
	General Fund	Water System Assessment Fund	Water New User Fund
<u>ASSETS</u>			
ASSETS			
Cash and investments	\$ 1,427,887	\$ 942,639	\$ 756,123
Receivables			
Special assessments, net		2,563,606	612,183
State shared revenues	134,277		
Accrued interest	2,163	2,589	
Due from other funds	10,428		8,556
	<u>1,574,755</u>	<u>3,508,834</u>	<u>1,376,862</u>
Total assets	<u>\$ 1,574,755</u>	<u>\$ 3,508,834</u>	<u>\$ 1,376,862</u>
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ 17,473	\$	\$ 2,235
Accrued wages and absences	31,742		
Accrued pension	2,395		
Accrued assessment chargeback			238,814
Due to other funds		8,556	2,557
Deferred revenues	1,725	2,563,606	612,183
	<u>53,335</u>	<u>2,572,162</u>	<u>855,789</u>
Total liabilities	<u>53,335</u>	<u>2,572,162</u>	<u>855,789</u>
FUND BALANCES			
Unreserved, undesignated	1,521,420		
Unreserved, designated for cemetery			
Unreserved, designated for recreation			
Reserved for private roads			
Reserved for debt service		936,672	
Reserved for capital projects			521,073
	<u>1,521,420</u>	<u>936,672</u>	<u>521,073</u>
Total fund balances	<u>1,521,420</u>	<u>936,672</u>	<u>521,073</u>
	<u>\$ 1,574,755</u>	<u>\$ 3,508,834</u>	<u>\$ 1,376,862</u>
Total liabilities and fund balances	<u>\$ 1,574,755</u>	<u>\$ 3,508,834</u>	<u>\$ 1,376,862</u>

<u>Other Non-major Funds</u>	<u>Total</u>
\$ 154,359	\$ 3,281,008
29,181	3,204,970
	134,277
	4,752
	<u>18,984</u>
<u>\$ 183,540</u>	<u>\$ 6,643,991</u>
\$ 1,950	\$ 21,658
	31,742
	2,395
	238,814
940	12,053
<u>29,181</u>	<u>3,206,695</u>
<u>32,071</u>	<u>3,513,357</u>
	1,521,420
11,951	11,951
120,697	120,697
18,821	18,821
	936,672
	<u>521,073</u>
<u>151,469</u>	<u>3,130,634</u>
<u>\$ 183,540</u>	<u>\$ 6,643,991</u>

The notes are an integral part of the financial statements.

MARION TOWNSHIP  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009

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

Total fund balance per balance sheet		\$ 3,130,634
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Historical cost	\$ 1,603,989	
Depreciation	<u>(440,439)</u>	
Capital assets net of depreciation		1,163,550
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>(31,740)</u>	
Bond issuance costs net of amortization		53,360
Equity interests in joint ventures are not financial resources and therefore not reported in the funds		
Equity in joint ventures		11,881,860
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Contracts payable	(960,825)	
Bonds payable	<u>(1,175,000)</u>	
Total long-term liabilities		(2,135,825)
Deferred revenues on special assessments was recognized as revenue in the government-wide statements. Assessments are income as they are assessed.		
Deferred income	3,175,789	
Interfund SAD receivable	<u>(1,050,000)</u>	
Total deferred revenue		<u>2,125,789</u>
Net assets of governmental activities		<u><u>\$ 16,219,368</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, 2009

	Major Funds		
	General Fund	Water System Assessment Fund	Water New User Fund
<b>REVENUES</b>			
Taxes	\$ 370,687	\$	\$
Special assessments		377,909	203,536
State shared revenues	446,479		
Grants	9,576		
Licenses and permits	91,441		
Connection fees			
Rental income	49,038		
Donations			
Charges for services	136,730		
Interest	27,532	21,021	7,232
Miscellaneous	1,319		
	<u>1,132,802</u>	<u>398,930</u>	<u>210,768</u>
Total revenues			
<b>EXPENDITURES</b>			
Current:			
General government	771,322		
Parks and recreation	7,672		
Public works	283,997	1,600	12,232
Special assessment chargeback			238,814
Debt service:			
Principal	17,679	308,657	
Interest	3,670	102,044	
Capital outlay:			
General government	21,082		
Parks and recreation			
	<u>1,105,422</u>	<u>412,301</u>	<u>251,046</u>
Total expenditures			
Excess of revenues over (under) expenditures	<u>27,380</u>	<u>(13,371)</u>	<u>(40,278)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			
Transfers (out)	<u>(149,098)</u>		
Total other financing sources (uses)	<u>(149,098)</u>		
Net change in fund balances	(121,718)	(13,371)	(40,278)
FUND BALANCE, JULY 1, 2008	<u>1,643,138</u>	<u>950,043</u>	<u>561,351</u>
FUND BALANCE, JUNE 30, 2009	<u>\$ 1,521,420</u>	<u>\$ 936,672</u>	<u>\$ 521,073</u>

The notes are an integral part of the financial statements.

Other Non-major Funds	Total
\$	\$ 370,687
23,166	604,611
	446,479
2,000	11,576
	91,441
	49,038
24	24
4,000	140,730
331	56,116
25	1,344
29,546	1,772,046
7,339	778,661
67,680	75,352
69,166	366,995
	238,814
	326,336
	105,714
50,267	71,349
13,990	13,990
208,442	1,977,211
(178,896)	(205,165)
149,098	149,098
	(149,098)
149,098	
(29,798)	(205,165)
181,267	3,335,799
\$ 151,469	\$ 3,130,634

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, 2009

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

Net change in fund balances - governmental funds \$ (205,165)

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	\$ 83,957	
Depreciation expense	<u>(37,560)</u>	
Total		46,397

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	131,336	
Repayment of bonds payable	<u>195,000</u>	
Total		326,336

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	(366,057)	
Provision for estimated uncollectable assessments	<u>(591,437)</u>	
Total		(957,494)

Income (loss) from joint ventures is reported in the statement of activities but not in the funds statement of revenues, expenditures and changes in fund balance.

(65,198)

Change in net assets of governmental activities \$ (863,404)

The notes are an integral part of the financial statements.

MARION TOWNSHIP  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND - SEWER FUND  
JUNE 30, 2009

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	\$ 14,775	
Accounts receivable - usage	<u>62,698</u>	
Total current assets		\$ 77,473
CURRENT ASSETS (RESTRICTED)		
Cash and cash equivalents - debt service & future improvements	4,344,626	
Cash and cash equivalents - phase II plant	2,194,425	
Special assessments receivable - bonded	868,255	
Special assessments receivable - unbonded	9,000	
Accrued interest	<u>1,660</u>	
Total current assets (restricted)		7,417,966
PROPERTY, PLANT AND EQUIPMENT		
Sewer collection system	14,046,608	
Sewer plant	9,795,116	
Computers, equipment, software	134,102	
Land	<u>166,051</u>	
	24,141,877	
Less: accumulated depreciation	<u>5,845,912</u>	
Net property, plant and equipment		18,295,965
OTHER ASSETS		
Bond issuance costs, net	145,960	
Deferred amount on refunding bonds, net	<u>383,598</u>	
Total other assets		529,558
RESTRICTED ASSETS		
Special assessments receivable - bonded	6,532,456	
Special assessments receivable - unbonded	<u>101,475</u>	
Total restricted assets		<u>6,633,931</u>
Total assets		<u>\$ 32,954,893</u>

The notes are an integral part of the financial statements.



LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 23,078	
Due to other funds	2,557	
Accrued chargeback from county	270,846	
Bond payable - refunding series 2007	<u>1,150,000</u>	
Total current liabilities		\$ 1,446,481

LONG-TERM LIABILITIES

Bond payable - refunding series 2007		<u>9,665,000</u>
Total liabilities		11,111,481

NET ASSETS

Invested in capital assets net of related debt	7,480,965	
Restricted for:		
Capital projects	2,805,110	
Debt service	10,975,941	
Unrestricted	<u>581,396</u>	
Total net assets		<u>21,843,412</u>

Total liabilities and net assets		<u>\$ 32,954,893</u>
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MARION TOWNSHIP  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND - SEWER FUND  
FOR THE YEAR ENDED JUNE 30, 2009

OPERATING REVENUES		
User charges		\$ 190,260
OPERATING EXPENSES		
Contract labor	\$ 51,565	
Sewer usage fee	131,523	
Depreciation expense	692,567	
Utilities	7,838	
Telephone	3,195	
Administrative fees - reimbursement to general fund	2,557	
Professional fees	30,662	
Administrative fees - billing administration Genoa Township	14,072	
Repairs and maintenance	6,721	
Miscellaneous	<u>650</u>	
Total operating expenses		<u>941,350</u>
Operating (loss)		(751,090)
NON-OPERATING REVENUES AND (EXPENSES)		
Interest income - assessments	559,836	
Interest income - cash and investments	101,282	
Interest expense - debt	(515,732)	
Agent fees - debt	(225)	
Amortization - bond issuance costs	<u>(18,630)</u>	
Total non-operating revenue		126,531
CAPITAL CONTRIBUTIONS (LOSS)		
Connection fees - new users	10,000	
Provision for uncollectable capital type special assessments	<u>(2,233,221)</u>	
Total capital contributions (loss)		<u>(2,223,221)</u>
Net (loss)		(2,847,780)
NET ASSETS, JULY 1, 2008		<u>24,691,192</u>
NET ASSETS, JUNE 30, 2009		<u><u>\$ 21,843,412</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, 2009

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Cash receipts from:

Customer usage	\$ 190,656
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Cash disbursements to:

Operating vendors	<u>(245,075)</u>
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Net cash (used in) operating activities	(54,419)
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CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES

Capital asset purchases	\$ (10,833)
Special assessment collections - principal	959,941
Special assessment collections - interest	572,641
Connection fees received	10,000
Repayment of bond payable - principal	(1,110,000)
Repayment of bonds payable - interest	(466,770)
Agent fees	<u>(225)</u>

Net cash flows (used in) capital and related financing activities	(45,246)
---	----------

CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES

Investment redemption proceeds	3,213,123
Interest income - cash and investments	138,582
Investment purchases	<u>(1,081,718)</u>

Net cash flows from investing activities	<u>2,269,987</u>
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Increase in cash and cash equivalents	2,170,322
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BALANCE, JULY 1, 2008	<u>4,383,504</u>
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BALANCE, JUNE 30, 2009	<u><u>\$ 6,553,826</u></u>
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RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM (USED IN) BY OPERATING ACTIVITIES

Operating (loss)	\$ (751,090)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation expense	692,567
Change in assets and liabilities:	
Receivables, net	396
Accounts and other payables	<u>3,708</u>

Net cash (used in) operating activities	<u><u>\$ (54,419)</u></u>
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The notes are an integral part of the financial statements.

MARION TOWNSHIP  
STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2009

		Agency Funds			
		Current Tax Fund	Escrow Fund	Flexible Medical Savings Fund	Total
<u>ASSETS</u>					
ASSETS					
Cash		\$ 831	\$ 8,343	\$ 5,262	\$ 14,436
 <u>LIABILITIES</u>					
LIABILITIES					
Due to others		\$ 831	\$ 8,343	\$ 5,262	\$ 14,436

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, 2009

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, 2009

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, 2009

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, 2009

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 2008 - 2009 fiscal year budget for each governmental fund was adopted by the Township Board in June of 2008. 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, 2009

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, 2009, the Township recognized the property taxes levied December 1, 2008 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.

K. RECEIVABLES

When necessary the Township utilizes an allowance for uncollectable accounts to value its receivables. With the exception of special assessment receivables discussed in Note 11, as of the Statement of Net Assets date, the Township considers all of its current receivables to be collectable.

L. FUND BALANCES

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans, if any, that are subject to change.

MARION TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

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 (13) 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, 2009, deposits in banks totaled \$7,679,995 which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 7,300,826
Uninsured and collateralized by securities held by pledging financial institutions	186,013
Uninsured and Uncollateralized	<u>193,156</u>
	<u>\$ 7,679,995</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, 2009 the Township's investments were exposed to custodial credit risk as follows:

Insured by SIPC	\$ 500,000
Insured by commercial insurance	<u>1,694,425</u>
	<u>\$ 2,194,425</u>

MARION TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - DEPOSITS AND INVESTMENTS - continued

Credit Risk

Credit risk is the risk that a counterparty to an investment will not fulfill its obligations.

As of June 30, 2009 the Township's investments were rated as follows:

<u>Investment Type</u>	<u>Standard &amp; Poors</u>	<u>Amount</u>
SB Money Funds	Unrated	\$ 2,194,425

The Township's investment policy addresses credit risk and investments held at June 30, 2009 comply with the policy and statutory authority.

As of June 30, 2009 cash and cash equivalents consist of the following:

Cash and cash equivalents	
Deposits with financial institutions	\$ 7,659,345
Money market fund	2,194,425
Cash on hand	<u>400</u>
Total cash and cash equivalents	<u><u>\$ 9,854,170</u></u>

Cash and cash equivalents are presented in the financial statements in the following areas:

Statement of Net Assets	
Cash	\$ 7,650,571
Cash and cash equivalents - restricted	<u>2,194,425</u>
Total	9,844,996
Fiduciary Funds	
Cash and cash equivalents	<u>9,174</u>
Total cash and cash equivalents	<u><u>\$ 9,854,170</u></u>

MARION TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 3 - INTERFUND TRANSACTIONS AND BALANCES

Interfund transfers for the year ended June 30, 2009 were as follows:

<u>Fund Receiving Resources</u>	<u>Fund Providing Resources</u>	<u>Purpose</u>	<u>Amount</u>
Recreation Fund (non-major)	General Fund	Pay operating expenditures	\$ 84,314
Private Road Fund (non-major)	General Fund	Provide initial capital	<u>64,784</u>
			<u>\$ 149,098</u>

Interfund receivables and payables between individual funds of the Township, as reported in the fund financial statements, as of June 30, 2009 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>June 30, 2009 Balance</u>
General Fund	Sewer Fund	\$ 2,557
General Fund	Water New User	2,557
Water New User Fund	Water System Assessment Fund	8,558
General Fund	Non-major funds	<u>5,313</u>
		<u>\$ 18,985</u>

The balances are the result of the time lag between dates services are provided or reimbursable expenditures occur and payments between the funds are made.

MARION TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 4 - CAPITAL ASSETS

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

	Balance 7/1/2008	Additions	Deletions	Balance 6/30/2009
<u>Governmental Activities</u>				
Capital assets are not being depreciated				
Land	\$ 197,421	\$ 50,267		\$ 247,688
Construction in progress	4,175	13,990		18,165
Subtotal	201,596	64,257		265,853
Capital assets being depreciated:				
Buildings	1,204,795			1,204,795
Equipment	54,934	19,700		74,634
Park improvements	58,707			58,707
Subtotal	1,318,436	19,700		1,338,136
Accumulated depreciation:				
Buildings	(367,015)	(25,575)		(392,590)
Equipment	(32,102)	(7,470)		(39,572)
Park improvements	(3,762)	(4,515)		(8,277)
Subtotal	(402,879)	(37,560)		(440,439)
Net capital assets being depreciated	915,557	(17,860)		897,697
Net capital assets	\$ 1,117,153	\$ 46,397	\$	1,163,550
Less: Related long-term debt outstanding as of June 30, 2009				(102,723)
Net assets invested in governmental capital assets net of related debt				\$ 1,060,827

MARION TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 4 - CAPITAL ASSETS - continued

	Balance 7/1/2008	Additions	Deletions	Balance 6/30/2009
<u>Business-type Activities</u>				
Capital assets are not being depreciated				
Land	\$ 166,051	\$	\$	\$ 166,051
Capital assets being depreciated:				
Sewer plant	9,795,116			9,795,116
Collection system	14,035,775	10,833		14,046,608
Equipment	134,102			134,102
Subtotal	23,964,993	10,833		23,975,826
Accumulated depreciation:				
Sewer plant	(2,085,360)	(267,757)		(2,353,117)
Collection system	(2,960,704)	(411,400)		(3,372,104)
Equipment	(107,281)	(13,410)		(120,691)
Subtotal	(5,153,345)	(692,567)		(5,845,912)
Net capital assets being depreciated	18,811,648	(681,734)		18,129,914
Net capital assets	\$ 18,977,699	\$ (681,734)	\$	18,295,965
Less: Related long-term debt outstanding as of June 30, 2009				(10,815,000)
Net assets invested in business-type capital assets net of related debt				\$ 7,480,965

Depreciation expense was charged to the following programs of the Township:

Governmental activities:	
General government	\$ 33,045
Parks and recreation	4,515
	37,560
Business-type activities:	
Sewer disposal	692,567
Total government-wide depreciation	\$ 730,127

MARION TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

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%	\$ 508,796
Livingston County Joint Water System Series E	\$ 743,750	\$ 22,222 — \$ 53,472	6/1/2016	5.20 — 5.375%	<u>349,306</u>
Total contracts payable outstanding					<u><u>\$ 858,102</u></u>

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$ 113,657	\$ 47,175
2011	113,657	40,941
2012	126,157	34,706
2013	126,157	27,816
2014	126,157	20,859
2015 - 2016	<u>252,317</u>	<u>20,892</u>
	<u><u>\$ 858,102</u></u>	<u><u>\$ 192,389</u></u>



MARION TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2009

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%	\$ 1,175,000
Business-type activities:					
2005 Sanitary Sewer refunding bonds	\$ 13,525,000	\$ 115,000 — \$ 1,210,000	6/1/2019	3.5 — 4.2%	<u>10,815,000</u>
Total general obligation bonds					<u>\$ 11,990,000</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
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	180,000	16,975	1,195,000	249,674
2015 - 2019	<u>250,000</u>	<u>13,000</u>	<u>5,010,000</u>	<u>545,042</u>
	<u>\$ 1,175,000</u>	<u>\$ 162,885</u>	<u>\$ 10,815,000</u>	<u>\$ 2,235,201</u>

MARION TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

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>\$ 102,723</u>

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$ 18,256	\$ 3,093
2011	18,852	2,497
2012	19,462	1,887
2013	20,102	1,247
2014	20,758	505
2015	5,293	129
	<u>\$ 102,723</u>	<u>\$ 9,358</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2009:

	Balance 7/1/2008	Additions	Reductions	Balance 6/30/2009	Due Within One Year
Governmental activities:					
Contracts payable	\$ 971,759	\$	\$ 113,657	\$ 858,102	\$ 113,657
General obligation bonds	1,370,000		195,000	1,175,000	190,000
Installment loans	120,402		17,679	102,723	18,256
Governmental activity long-term liabilities	2,462,161		326,336	2,135,825	321,913
Business-type activities:					
General obligation bonds	11,925,000		1,110,000	10,815,000	1,150,000
Total long-term liabilities	<u>\$ 14,387,161</u>	<u>\$</u>	<u>\$ 1,436,336</u>	<u>\$ 12,950,825</u>	<u>\$ 1,471,913</u>

MARION TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 6 - SEGMENT INFORMATION - BUSINESS-TYPE ACTIVITIES

The Township's sole enterprise fund, the Sewer Fund, is reported in the basic financial statements as an individual major fund. As a result segment disclosures herein are not required.

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 working 32 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, 2009 was \$353,469.

TOTAL CURRENT YEAR EMPLOYER CONTRIBUTIONS \$ 28,278

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, 2009. 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>7/1/2008</u>	<u>6/30/2009</u>
Current assets		
Cash and cash equivalents	<u>\$ 4,383,504</u>	<u>\$ 6,553,826</u>

MARION TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

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 10%.

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 741 customers connected and being billed as of June 30, 2009. The sewer fund had an operating loss of \$58,523 (after adding back depreciation expense) for the year ended June 30, 2009. The Township needs to have approximately 900 customers connected and being billed to break-even at the current rates.

NOTE 11 - SPECIAL ASSESSMENTS RECEIVABLE

Special assessments are levied on various properties within the Township that benefit from certain capital improvements. Generally, such assessments are established in accordance with Public Act 188 of 1954 and collected from property owners in annual installments over a period of five (5) to twenty (20) years. The annual receipts of such assessments are typically used to service debt which financed capital improvements in the assessment district.

The current economic environment has caused a number of property owners in various special assessment districts to become delinquent on their obligation to pay the annual installments in a timely manner. In normal times these delinquent assessments would be satisfied through a lien and foreclosure process. However, due to the decline in the value of the property collateralizing such assessments it has become apparent a portion, if not all, of certain assessments may ultimately be uncollectable. Management has evaluated all uncollected special assessments throughout the Township. As indicated in the following schedule, management has estimated the following long-term special assessments receivable will be uncollectable:

	Water Assessment Fund	Water New User Fund	Sewer Fund	Total
Gross special assessments receivable	\$ 1,663,176	\$ 1,031,308	\$ 9,473,561	\$12,168,045
Less: allowance for uncollectable assessments	<u>(149,570)</u>	<u>(419,125)</u>	<u>(1,962,375)</u>	<u>(2,531,070)</u>
Net special assessments receivable	<u>\$ 1,513,606</u>	<u>\$ 612,183</u>	<u>\$ 7,511,186</u>	<u>\$ 9,636,975</u>

MARION TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

**NOTE 12 - ACCRUED CHARGEBACKS**

As noted above under Note 11 the Township has some assessments that are being adjusted down to reflect economic reality. The respective owners of the adjusted assessments have not paid the annual installments over the past two (2) - three (3) years. However, the County Revolving Fund did reimburse the Township for the delinquent assessments. The County has attempted to collect from the property owners with no success. Thus, over the next year, the County will require the Township to pay back (chargebacks) the delinquent assessments plus interest and penalties.

Water New User Fund	\$	238,814
Sewer Fund		270,846
Total		\$ 509,660

**NOTE 13 – ASSETS RESTRICTED FOR CAPITAL AND DEBT**

Restricted assets in the Water Assessment Debt Service Fund, Water New User Capital Projects Fund and Sewer Enterprise Fund as of June 30, 2009 consisted of the following:

	Water Assessment Fund	Water New User Fund	Sewer Fund	Total Restricted Assets
Cash and cash equivalents	\$ 942,639	\$ 756,123	\$ 6,539,051	\$ 8,237,813
Special assessment receivables:				
Current	244,130	76,239	877,255	1,197,624
Long-term	1,269,476	535,944	6,633,931	8,439,351
Total	\$ 2,456,245	\$ 1,368,306	\$ 14,050,237	\$ 17,874,788

These assets are restricted specifically for specific capital improvements and the payment of the related debt service obligations.

**NOTE 14 - INVESTMENT IN JOINT VENTURES**

As of June 30, 2009 the Township has investments in two joint ventures as follows:

**Marion, Howell, Oceola, Genoa Joint Sewer and Water Authority**

The Township is a member of the Marion, Howell, Oceola, Genoa Joint Sewer and Water Authority (hereinafter "MHOG"). As the name implies MHOG was incorporated by the Townships of Marion, Howell, Oceola and Genoa. MHOG was formed to operate and maintain a joint water system that serves residents in each member township. Marion Township holds a 25% share of the equity in this joint venture which amounted to \$11,441,920 as of June 30, 2009. Such amount is recorded in the government-wide statement of net assets as an investment in joint ventures. The Township is unaware of any circumstances that would cause additional benefit or burden to the participating governments of the joint venture in the foreseeable future. Complete financial statements of MHOG can be obtained from the administrative offices of MHOG at 2911 Dorr Road, Howell, MI 48843. Selected financial information of MHOG as of and for the fiscal year ended September 30, 2008 (the date financial information was last available) were as follows:

MARION TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 14 - INVESTMENT IN JOINT VENTURES - continued

Total assets	\$ 46,051,722
Total liabilities	\$ 284,039
Total net assets	\$ 45,767,683
Total revenue	\$ 2,093,513
Total expenditures	\$ 3,071,713

Howell Area Fire Authority

The Township is a member of the Howell Area Fire Authority (hereinafter "Authority"). The Authority was incorporated by the City of Howell and the townships of Marion, Howell, Oceola, and Cohoctah. The Authority was formed for the purpose of providing fire protection and safety services to the residents of its incorporating members. The Authority operations are funded through a voter approved millage. Marion Township holds a 20% share of the equity in this joint venture which amounted to \$439,940 as of June 30, 2009. Such amount is recorded in the government-wide statement of net assets as an investment in joint ventures. The Township is unaware of any circumstances that would cause additional benefit or burden to the participating governments of the joint venture in the foreseeable future. Complete financial statements for the Authority can be obtained from the administrative offices of the Authority 1211 W. Grand River, Howell, Michigan. Selected financial information of the Authority as of and for the fiscal year ended June 30, 2009 was as follows:

Total assets	\$ 3,035,111
Total liabilities	\$ 835,407
Total net assets	\$ 2,199,704
Total revenue	\$ 2,127,232
Total expenditures	\$ 2,032,639

NOTE 15 - RELATED PARTY TRANSACTIONS

The Township leases space to the Howell Area Fire Authority (hereinafter "Authority"). As explained in further detail in Note 14 the Township is a member in the Authority. During the years ended June 30, 2009 the Township received \$19,658 in lease revenues.

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, 2009

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$	\$	\$ 370,687	\$
Licenses and permits			91,441	
State shared revenues			446,479	
Charges for services			136,730	
Other revenues			87,465	
			<u>1,132,802</u>	
Total revenues	1,084,083	1,108,778	1,132,802	24,024
EXPENDITURES	<u>1,245,157</u>	<u>1,128,792</u>	<u>1,105,422</u>	<u>23,370</u>
Excess of revenues over (under) expenditures	<u>(161,074)</u>	<u>(20,014)</u>	<u>27,380</u>	<u>47,394</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	<u>(146,000)</u>	<u>(93,500)</u>	<u>(149,098)</u>	<u>(55,598)</u>
Net change in fund balance	(307,074)	(113,514)	(121,718)	(8,204)
FUND BALANCE, JULY 1, 2008	<u>1,643,138</u>	<u>1,643,138</u>	<u>1,643,138</u>	
FUND BALANCE, JUNE 30, 2009	<u>\$ 1,336,064</u>	<u>\$ 1,529,624</u>	<u>\$ 1,521,420</u>	<u>\$ (8,204)</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, 2009

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Special assessments - principal	\$	\$	\$ 254,142	\$
Special assessments - interest			123,767	
Interest income			21,021	
Total revenues	<u>386,171</u>	<u>386,171</u>	<u>398,930</u>	<u>12,759</u>
<b>EXPENDITURES</b>				
Debt - principal			308,657	
Debt - interest			101,663	
Other			1,981	
Total expenditures	<u>415,219</u>	<u>415,219</u>	<u>412,301</u>	<u>2,918</u>
Net change in fund balance	(29,048)	(29,048)	(13,371)	15,677
FUND BALANCE, JULY 1, 2008	<u>950,043</u>	<u>950,043</u>	<u>950,043</u>	
FUND BALANCE, JUNE 30, 2009	<u>\$ 920,995</u>	<u>\$ 920,995</u>	<u>\$ 936,672</u>	<u>\$ 15,677</u>

NOTES TO REQUIRED  
SUPPLEMENTARY INFORMATION

MARION TOWNSHIP  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2009

NOTE – BUDGETARY INFORMATION

Highlights of the budgetary process are disclosed in Note 1 of the Notes to the Financial Statements. It should be noted that a budget is not presented for the Water New User Fund, which is a major fund this year ended June 30, 2009. The Water New User Fund is classified as a capital projects fund and under Michigan law is not required to adopt an operating budget.

Budget Overruns

In funds that were required by law to adopt budgets, during the year ended June 30, 2009 expenditures exceeded appropriations in a few areas as follows:

	Final Budget	Actual Expenditures	Variance (Unfavorable)
General Fund:			
Public works	\$ 7,269	\$ 7,679	\$ (410)
Unallocated	340,425	340,844	(419)
Private Road Fund	20,000	69,166	(49,166)
	\$ 367,694	\$ 417,689	\$ (49,995)

The overruns in the general fund were relatively immaterial and the result of miscellaneous expenditure accruals made at year end that were not anticipated in the amended budget. The overruns in the Private Road Fund was result of various project costs being incurred in the current fiscal year but anticipated to be incurred in the next fiscal year when the budget was originally approved.

SUPPLEMENTARY  
INFORMATION

COMBINING  
FINANCIAL  
STATEMENTS

MARION TOWNSHIP  
ALL SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2009

	<u>Cemetery Fund</u>	<u>Recreation Fund</u>	<u>Private Road Fund</u>
<u>ASSETS</u>			
ASSETS			
Cash	\$ 13,284	\$ 122,254	\$ 18,821
Note receivable - water new user			
Special assessments receivable, net			29,181
Accrued interest receivable			
	<u>13,284</u>	<u>122,254</u>	<u>48,002</u>
Total assets	<u>\$ 13,284</u>	<u>\$ 122,254</u>	<u>\$ 48,002</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	\$ 1,300	\$ 650	\$
Due to other funds	33	907	
Deferred revenue			29,181
	<u>1,333</u>	<u>1,557</u>	<u>29,181</u>
Total liabilities	1,333	1,557	29,181
FUND BALANCE	<u>11,951</u>	<u>120,697</u>	<u>18,821</u>
Total liabilities and fund balance	<u>\$ 13,284</u>	<u>\$ 122,254</u>	<u>\$ 48,002</u>

Water System Assessment Fund	Totals
\$ 942,639	\$ 1,096,998
1,050,000	1,050,000
1,513,606	1,542,787
<u>2,589</u>	<u>2,589</u>
<u>\$ 3,508,834</u>	<u>\$ 3,692,374</u>

\$	\$ 1,950
8,556	9,496
<u>2,563,606</u>	<u>2,592,787</u>
2,572,162	2,604,233
<u>936,672</u>	<u>1,088,141</u>
<u>\$ 3,508,834</u>	<u>\$ 3,692,374</u>

MARION TOWNSHIP  
 ALL SPECIAL REVENUE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2009

	Cemetery Fund	Recreation Fund	Water System Assessment Fund
<b>REVENUES</b>			
Special assessments	\$	\$	\$ 377,909
Service charges	4,000		
Donations		24	
Interest income		264	21,021
Grants	30	2,000	
Other income	25		
	<u>4,055</u>	<u>2,288</u>	<u>398,930</u>
Total revenues			
<b>EXPENDITURES</b>			
Construction and maintenance	7,339	8,366	
Debt service			410,320
Capital outlay	50,267	13,990	
Agent fees			381
Other expenditures			1,600
Commission contribution		59,314	
	<u>57,606</u>	<u>81,670</u>	<u>412,301</u>
Total expenditures			
Excess of revenues over (under) expenditures	(53,551)	(79,382)	(13,371)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in		84,314	
Net changes in fund balances	(53,551)	4,932	(13,371)
FUND BALANCE, JULY 1, 2008	<u>65,502</u>	<u>115,765</u>	<u>950,043</u>
FUND BALANCE, JUNE 30, 2009	<u>\$ 11,951</u>	<u>\$ 120,697</u>	<u>\$ 936,672</u>



Water System Assessment Fund	Private Road Fund	Totals
\$ 377,909	\$ 23,166	\$ 401,075
		4,000
		24
21,021	37	21,322
		2,030
		25
<u>398,930</u>	<u>23,203</u>	<u>428,476</u>
	69,166	84,871
410,320		410,320
		64,257
381		381
1,600		1,600
		<u>59,314</u>
<u>412,301</u>	<u>69,166</u>	<u>620,743</u>
(13,371)	(45,963)	(192,267)
	64,784	149,098
(13,371)	18,821	(43,169)
<u>950,043</u>		<u>1,131,310</u>
<u>\$ 936,672</u>	<u>\$ 18,821</u>	<u>\$ 1,088,141</u>

INDIVIDUAL  
FUNDS

GENERAL  
FUND

MARION TOWNSHIP  
GENERAL FUND  
BALANCE SHEET  
JUNE 30, 2009

ASSETS

ASSETS

Cash		\$ 1,427,887
Accounts receivable - state		134,277
Accrued interest receivable		2,163
Due from other funds		<u>10,428</u>
 Total assets		 <u><u>\$ 1,574,755</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 17,473	
Accrued wages and salaries	31,742	
Accrued pension	2,395	
Deferred revenues	<u>1,725</u>	

Total liabilities \$ 53,335

FUND BALANCE

Total liabilities and fund balance \$ 1,574,755

MARION TOWNSHIP  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 369,000	\$ 370,687	\$ 1,687
Licenses and permits	89,500	91,441	1,941
State shared revenues	460,000	446,479	(13,521)
Charges for services	133,100	136,730	3,630
Other revenues	<u>57,178</u>	<u>87,465</u>	<u>30,287</u>
Total revenues	1,108,778	1,132,802	24,024
EXPENDITURES	<u>1,128,792</u>	<u>1,105,422</u>	<u>23,370</u>
Excess of revenues over (under) expenditures	(20,014)	27,380	47,394
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(93,500)</u>	<u>(149,098)</u>	<u>(55,598)</u>
Net change in fund balance	(113,514)	(121,718)	(8,204)
FUND BALANCE, JULY 1, 2008	<u>1,643,138</u>	<u>1,643,138</u>	<u></u>
FUND BALANCE, JUNE 30, 2009	<u>\$ 1,529,624</u>	<u>\$ 1,521,420</u>	<u>\$ (8,204)</u>

MARION TOWNSHIP  
GENERAL FUND  
STATEMENT OF REVENUES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
PROPERTY TAXES	<u>\$ 369,000</u>	<u>\$ 370,687</u>	<u>\$ 1,687</u>
LICENSES AND PERMITS			
Licenses, fees, permits		5,213	
Cable franchise fees		86,228	
Total licenses and permits	<u>89,500</u>	<u>91,441</u>	<u>1,941</u>
STATE SHARED REVENUES	<u>460,000</u>	<u>446,479</u>	<u>(13,521)</u>
CHARGES FOR SERVICES			
Heritage days		8,638	
Elections		4,286	
Meeting fees		2,000	
Tax collection administration		121,806	
Total charges for services	<u>133,100</u>	<u>136,730</u>	<u>3,630</u>
OTHER REVENUES			
Printing and publications		300	
Interest income		27,532	
Fire station lease		19,658	
Cell tower lease		29,175	
Rental income		205	
Miscellaneous		1,019	
Metro act		9,576	
Total other revenues	<u>57,178</u>	<u>87,465</u>	<u>30,287</u>
Total revenues	<u><u>\$ 1,108,778</u></u>	<u><u>\$ 1,132,802</u></u>	<u><u>\$ 24,024</u></u>

MARION TOWNSHIP  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>TOWNSHIP BOARD</b>			
Salaries	\$	\$ 32,543	\$
Meetings and seminars		468	
Mileage		51	
Printing and publications		1,470	
Membership dues		5,512	
Miscellaneous		285	
	<u>41,200</u>	<u>40,329</u>	<u>871</u>
<b>TOTAL township board</b>			
<b>SUPERVISOR</b>			
Salary		33,302	
Meetings and seminars		879	
Miscellaneous		100	
	<u>35,300</u>	<u>34,281</u>	<u>1,019</u>
<b>TOTAL supervisor</b>			
<b>PUBLIC WORKS</b>			
	<u>7,269</u>	<u>7,679</u>	<u>(410)</u>
<b>ELECTIONS</b>			
Salaries		11,786	
Supplies		2,100	
Postage		1,350	
Mileage		142	
Miscellaneous		3,996	
	<u>20,125</u>	<u>19,374</u>	<u>751</u>
<b>TOTAL elections</b>			
<b>PROFESSIONAL FEES</b>			
Audit fees		7,500	
Accounting services		1,130	
Software support		2,031	
Engineering fees		4,044	
	<u>15,500</u>	<u>14,705</u>	<u>795</u>
<b>TOTAL professional fees</b>			
<b>ASSESSOR</b>			
Salaries		81,722	
Professional fees		875	
Dues and memberships		550	
Training and seminars		663	
Supplies		1,376	
Mileage		438	
Miscellaneous		897	
Postage		2,192	
	<u>89,547</u>	<u>88,713</u>	<u>834</u>
<b>TOTAL assessor</b>			

MARION TOWNSHIP  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
LEGAL			
Attorneys		19,894	
Consultants and engineering		360	
Total legal	<u>23,000</u>	<u>20,254</u>	<u>2,746</u>
CLERK			
Salaries		58,726	
Mileage		489	
Training, seminars and dues		2,561	
Supplies		472	
Total clerk	<u>62,259</u>	<u>62,248</u>	<u>11</u>
BOARD OF REVIEW			
Salaries		2,850	
Supplies and publications		537	
Total board of review	<u>3,600</u>	<u>3,387</u>	<u>213</u>
TREASURER			
Salaries		64,654	
Supplies		520	
Mileage		1,104	
Miscellaneous		138	
Training		1,291	
Total treasurer	<u>68,200</u>	<u>67,707</u>	<u>493</u>



MARION TOWNSHIP  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued  
FOR THE YEAR ENDED JUNE 30, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
<b>UNALLOCATED</b>			
Salaries - secretary		26,237	
Custodial		2,825	
Payroll taxes		28,118	
Insurance - health		141,286	
Insurance - general		45,462	
Pension		28,278	
Pension - administration		4,307	
Trash removal		257	
Supplies		4,501	
Equipment - maintenance		2,850	
Postage		3,130	
Grounds maintenance		12,955	
Buildings maintenance		14,257	
Telephone		3,833	
Utilities		8,414	
Internet		99	
Tax roll preparation		5,383	
Payroll processing		2,235	
Escrow losses		6,295	
Miscellaneous		122	
Total unallocated	340,425	340,844	(419)
<b>ZONING ADMINISTRATOR</b>			
Salary		45,085	
Legal fees		1,426	
Miscellaneous		110	
Mileage		580	
Planning fees		76	
Training		1,203	
Total zoning administrator	50,582	48,480	2,102

MARION TOWNSHIP  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
CEMETERY			
Salaries	<u>6,000</u>	<u>6,000</u>	
PLANNING COMMISSION			
Salaries		6,696	
Consultant		10,535	
Legal fees		1,748	
Training		1,944	
Printing and publications		1,595	
Supplies		<u>20</u>	
Total planning commission	<u>23,800</u>	<u>22,538</u>	<u>1,262</u>
ZONING BOARD OF APPEALS			
Salaries		1,745	
Miscellaneous		167	
Printing and publications		<u>550</u>	
Total zoning board of appeals	<u>3,250</u>	<u>2,462</u>	<u>788</u>
DRAINS	<u>5,500</u>	<u>5,328</u>	<u>172</u>
ROADS			
Road maintenance		213,498	
Dust control		<u>57,492</u>	
Total roads	<u>280,000</u>	<u>270,990</u>	<u>9,010</u>
HERITAGE DAYS			
Supplies		2,980	
Entertainment		2,535	
Publications		2,018	
Miscellaneous		<u>139</u>	
Total Heritage Days	<u>7,735</u>	<u>7,672</u>	<u>63</u>
BUILDING IMPROVEMENT			
Capital outlay - equipment		21,082	
Debt service - principal and interest		<u>21,349</u>	
Total building improvement	<u>44,500</u>	<u>42,431</u>	<u>2,069</u>
CONTINGENCY	<u>1,000</u>		<u>1,000</u>
Total expenditures	<u>\$ 1,128,792</u>	<u>\$ 1,105,422</u>	<u>\$ 23,370</u>

CEMETERY  
FUND

MARION TOWNSHIP  
CEMETERY FUND  
BALANCE SHEET  
JUNE 30, 2009

ASSETS

ASSETS  
Cash

\$ 13,284

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable  
Due to other funds

\$ 1,300  
33

Total liabilities

\$ 1,333

FUND BALANCE

11,951

Total liabilities and fund balance

\$ 13,284

MARION TOWNSHIP  
CEMETERY FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Service charges	\$	\$ 4,000	\$
Interest		30	
Other income		25	
Total revenues	4,100	4,055	(45)
EXPENDITURES			
Maintenance		7,339	
Land acquisition		50,267	
Total expenditures	64,400	57,606	6,794
Excess of revenues over (under) expenditures	(60,300)	(53,551)	6,749
OTHER FINANCING SOURCES (USES)			
Transfers in	60,000		(60,000)
Net change in fund balance	(300)	(53,551)	(53,251)
FUND BALANCE, JULY 1, 2008	65,502	65,502	
FUND BALANCE, JUNE 30, 2009	\$ 65,202	\$ 11,951	\$ (53,251)

RECREATION  
FUND

MARION TOWNSHIP  
RECREATION FUND  
BALANCE SHEET  
JUNE 30, 2009

ASSETS

ASSETS  
Cash

\$ 122,254

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable  
Due to other funds

\$ 650  
907

Total liabilities

\$ 1,557

FUND BALANCE

120,697

Total liabilities and fund balance

\$ 122,254

MARION TOWNSHIP  
RECREATION FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Donations	\$	\$ 24	\$
Interest income		264	
Grant		2,000	
	<u>3,000</u>	<u>2,288</u>	<u>(712)</u>
Total revenues			
EXPENDITURES			
Salaries		825	
Capital outlay		13,990	
Commission contribution		59,314	
Maintenance		7,541	
	<u>95,214</u>	<u>81,670</u>	<u>13,544</u>
Total expenditures			
Excess of revenues over (under) expenditures	(92,214)	(79,382)	12,832
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>86,000</u>	<u>84,314</u>	<u>(1,686)</u>
Net change in fund balance	(6,214)	4,932	11,146
FUND BALANCE, JULY 1, 2008	<u>115,765</u>	<u>115,765</u>	
FUND BALANCE, JUNE 30, 2009	<u>\$ 109,551</u>	<u>\$ 120,697</u>	<u>\$ 11,146</u>



WATER SYSTEM  
ASSESSMENT  
FUND

MARION TOWNSHIP  
WATER SYSTEM ASSESSMENT FUND  
BALANCE SHEET  
JUNE 30, 2009

ASSETS

ASSETS

Cash	\$	942,639
Special assessments and mortgage receivable, net		1,513,606
Accrued interest receivable		2,589
Note receivable - water new user		<u>1,050,000</u>

Total assets		<u>\$ 3,508,834</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred revenue - special assessments and mortgage receivable	\$	1,513,606
Deferred revenue - water new user		1,050,000
Due to other funds		<u>8,556</u>

Total liabilities		\$ 2,572,162
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FUND BALANCE

		<u>936,672</u>
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Total liabilities and fund balance		<u>\$ 3,508,834</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, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Special assessments - principal	\$	\$ 254,142	\$
Special assessments - interest		123,767	
Interest income		21,021	
	386,171	398,930	12,759
EXPENDITURES			
Debt - principal		308,657	
Debt - interest		101,663	
Agent fees		381	
Professional fees		1,600	
	415,219	412,301	2,918
Total expenditures			
Net change in fund balance	(29,048)	(13,371)	15,677
FUND BALANCE, JULY 1, 2008	950,043	950,043	
FUND BALANCE, JUNE 30, 2009	\$ 920,995	\$ 936,672	\$ 15,677

PRIVATE ROAD  
FUND

MARION TOWNSHIP  
PRIVATE ROAD FUND  
BALANCE SHEET  
JUNE 30, 2009

ASSETS

ASSETS

Cash		\$	18,821
Assessment receivable			<u>29,181</u>
Total assets		\$	<u>48,002</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred revenue \$ 29,181

FUND BALANCE

18,821

Total liabilities and fund balance \$ 48,002

MARION TOWNSHIP  
PRIVATE ROAD FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Special assessments	\$	\$ 23,166	\$
Interest income		37	
Total revenues	20,000	23,203	3,203
EXPENDITURES			
Project costs	20,000	69,166	(49,166)
Excess of revenues over (under) expenditures		(45,963)	(45,963)
OTHER FINANCING SOURCES			
Transfer in	20,000	64,784	44,784
Change in fund balance	20,000	18,821	(1,179)
FUND BALANCE, JULY 1, 2008			
FUND BALANCE, JUNE 30, 2009	\$ 20,000	\$ 18,821	\$ (1,179)

WATER  
NEW USER  
FUND

MARION TOWNSHIP  
WATER NEW USER FUND  
BALANCE SHEET  
JUNE 30, 2009

ASSETS

ASSETS

Cash	\$	756,123
Special assessments receivable - unbonded, net		612,183
Due from other funds		<u>8,556</u>
 Total assets		 <u><u>\$ 1,376,862</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$	2,235
Deferred revenue - unbonded		612,183
Due to other funds		2,557
Accrued chargeback from county		<u>238,814</u>
 Total liabilities		 \$ 855,789

FUND BALANCE

		<u>521,073</u>
 Total liabilities and fund balance		 <u><u>\$ 1,376,862</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, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Special assessments - principal	\$	\$ 111,915	\$
Special assessments - interest		91,621	
Interest income		7,232	
	<u>195,999</u>	<u>210,768</u>	<u>14,769</u>
<b>EXPENDITURES</b>			
Administration fees		2,557	
Professional fees		9,675	
Assessment chargebacks		238,814	
	<u>1,500</u>	<u>251,046</u>	<u>(249,546)</u>
Net change in fund balance	194,499	(40,278)	(234,777)
FUND BALANCE, JULY 1, 2008	<u>561,351</u>	<u>561,351</u>	
FUND BALANCE, JUNE 30, 2009	<u>\$ 755,850</u>	<u>\$ 521,073</u>	<u>\$ (234,777)</u>

SEWER  
FUND

MARION TOWNSHIP  
SEWER FUND  
STATEMENT OF REVENUES AND EXPENSES FOR OPERATIONS ONLY  
FOR THE YEARS ENDED JUNE 30, 2002 - 2009

	<u>6/30/2009</u>	<u>6/30/2008</u>	<u>6/30/2007</u>
<b>REVENUE</b>			
User charges - quarterly charges for usage	<u>\$ 190,260</u>	<u>\$ 196,837</u>	<u>\$ 155,289</u>
<b>EXPENSES</b>			
Contract labor	51,565	37,908	36,824
Sewer usage fee	131,523	93,033	76,836
Utilities	7,838	7,558	6,813
Telephone	3,195	2,978	3,055
Administrative fees -			
Reimbursement to general fund	2,557	3,403	4,656
Billing administrative (Genoa Twp.)	14,072	13,713	17,551
Professional fees	30,662	36,037	59,383
Repairs and maintenance	6,721	1,591	1,246
Miscellaneous	<u>650</u>	<u>1,513</u>	<u></u>
Total expenses	<u>248,783</u>	<u>197,734</u>	<u>206,364</u>
Net operating (loss)	<u>\$ (58,523)</u>	<u>\$ (897)</u>	<u>\$ (51,075)</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>6/30/2006</u>	<u>6/30/2005</u>	<u>6/30/2004</u>	<u>6/30/2003</u>	<u>6/30/2002</u>
<u>\$ 150,605</u>	<u>\$ 119,196</u>	<u>\$ 82,997</u>	<u>\$ 51,546</u>	<u>\$ 26,503</u>
38,704	34,872	34,176	29,014	21,468
79,656	77,136	76,128	67,525	64,962
7,131	5,156	4,715	4,845	4,350
2,873	2,781	2,789	2,785	2,751
6,281	6,253	8,059	10,947	2,615
16,360	11,457	12,134	5,745	2,935
25,628	11,532	5,485	1,560	3,500
2,676	33,819	14,109		
<u>179,309</u>	<u>183,006</u>	<u>157,595</u>	<u>122,421</u>	<u>102,581</u>
<u>\$ (28,704)</u>	<u>\$ (63,810)</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, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
User charges	\$ 187,106	\$ 190,260	\$ 3,154
Interest income - assessments	608,929	559,836	(49,093)
Interest income - bank	65,000	101,282	36,282
Connection fees		10,000	10,000
Total revenues	861,035	861,378	343
<b>EXPENSES</b>			
Amortization - bond issuance costs		67,592	(67,592)
Debt-interest expense	466,770	466,770	
Maintenance of system (contract labor)	40,000	51,565	(11,565)
Administrative fees - billing admin.	16,000	14,072	1,928
Professional fees	32,000	30,662	1,338
Administrative fees - reimbursement to general fund	11,045	2,557	8,488
Agent fees	500	225	275
Repairs and maintenance	7,000	6,721	279
Utilities	8,500	7,838	662
Sewer usage	95,000	131,523	(36,523)
Depreciation	760,000	692,567	67,433
Telephone	4,500	3,195	1,305
Other		650	(650)
Provision for uncollectable assessments receivable		2,233,221	(2,233,221)
Total expenses	1,441,315	3,709,158	(2,267,843)
Net change in net assets	(580,280)	(2,847,780)	(2,267,500)
<b>BEGINNING NET ASSETS</b>	24,691,192	24,691,192	
<b>ENDING NET ASSETS</b>	\$ 24,110,912	\$ 21,843,412	\$ (2,267,500)

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, 2009

	Retained Earnings Reserved	Earnings (Deficit) Unreserved	Total
BALANCES, JULY 1, 2008	\$ 25,036,559	\$ (345,367)	\$ 24,691,192
Operating (loss) excluding depreciation expense		(58,523)	(58,523)
Connection fees	10,000		10,000
Depreciation (expense)	(692,567)		(692,567)
Interest income	661,118		661,118
Interest (expense) - debt	(466,770)		(466,770)
Agent (fees) - debt	(225)		(225)
Amortization - bond issuance costs	(67,592)		(67,592)
Provision for uncollectable assessments receivable	(2,233,221)		(2,233,221)
BALANCES, JUNE 30, 2009	<u>\$ 22,247,302</u>	<u>\$ (403,890)</u>	<u>\$ 21,843,412</u>

CURRENT  
TAX  
FUND

MARION TOWNSHIP  
CURRENT TAX FUND  
BALANCE SHEET  
JUNE 30, 2009

<u>ASSETS</u>		
ASSETS		
Cash		\$ <u>831</u>
<u>LIABILITIES</u>		
LIABILITIES		
Due to other funds		\$ 373
Due to others		<u>458</u>
Total liabilities		\$ <u>831</u>



ESCROW  
FUND

MARION TOWNSHIP  
ESCROW FUND  
BALANCE SHEET  
JUNE 30, 2009

ASSETS

ASSETS  
Cash

\$ 8,343

LIABILITIES

LIABILITIES  
Due to others

\$ 8,343

FLEXIBLE MEDICAL SAVINGS  
FUND

MARION TOWNSHIP  
FLEXIBLE MEDICAL SAVINGS FUND  
BALANCE SHEET  
JUNE 30, 2009

		<u>ASSETS</u>	
ASSETS			
Cash			\$ 5,262
			<u>5,262</u>
		<u>LIABILITIES</u>	
LIABILITIES			
Due to other funds			\$ 4,000
Due to others			1,262
			<u>5,262</u>
Total liabilities			<u>5,262</u>



**PFEFFER ▪ HANNIFORD ▪ PALKA**  
*Certified Public Accountants*

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

*Members:*  
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**(810) 229-5550**  
**FAX (810) 229-5578**

October 12, 2009

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

Dear Honorable Board Members:

In planning and performing our audit of the financial statements of Marion Township as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Marion Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in Marion Township's internal control to be a material weakness:

**Establish Control over the Financial Reporting Process:** Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles.

At times, management may choose to outsource certain accounting functions due to cost or training considerations. Such accounting functions and service providers must be governed by the control policies and procedures of the Company. Management is as responsible for outsourced functions performed by a service provider as it would be if your personnel performed such functions. Specifically, management is responsible for management decisions and functions: for designating an individual with suitable skill, knowledge, or experience to oversee any outsourced services; and for evaluating the adequacy and results of those services and accepting responsibility for them.

As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management did not perform a detailed review of the financial statements. The absence of this control procedure is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the Township's internal control.

The existence of significant deficiencies or material weaknesses may already be known to management and may represent a conscious decision by management or those charged with governance to accept that degree of risk because of cost or other considerations. Management is responsible for making decisions concerning costs and the related benefits. We are responsible to communicate significant deficiencies and material weaknesses in accordance with professional standards regardless of management's decisions.

To provide oversight of the financial statement preparation services at an appropriate level, we suggest management establish effective review policies and procedures including the performance of the following functions:

- Reconcile general ledger amounts to the draft financial statements using grouping schedules provided by us.
- Review all supporting documentation and explanations for journal entries we propose and approve the entries.
- Review the adequacy of financial statement disclosures by completing a disclosure checklist or reviewing and approving the completed disclosure checklist we provide to you. Disclosure checklists are available from various sources or may be obtained from us.
- Review and approve schedules and calculations supporting amounts included in the notes to financial statements.
- Review and approve the cash flow worksheet used in preparing the statement of cash flows.
- Apply analytic procedures to the draft financial statements.
- Perform other procedures as considered necessary by management.

Other Matters

As discussed in further detail in the following paragraphs we came across a few matters which we feel should be reported to you but, in our view, do not constitute a material weakness or a significant deficiency:

**Sewer Rates:** As in prior years, 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 just under \$425,000 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
June 30, 2008	897
June 30, 2009	58,523
	<u>\$ 424,560</u>

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The Township should consider evaluating its commodity charges annually, and increasing such commodity charges incrementally, to avoid large increases in the future to cover the operating and maintenance costs to provide sewer services.

**Mark Invoices / Employee Reimbursement Requests with an Indication of Review, Approval and Payment:**

We noted instances where approval for payment or checking of prices, extensions, footings and cash discounts of vendors' invoices and or employee reimbursement requests were not documented. We recommend that all invoices and employee reimbursement requests be approved for payment by the Supervisor or Treasurer by initialing each invoice as ok to pay. Once paid, we recommend that the word "paid" be written or stamped on the invoice or employee reimbursement request by the check signer after approval is obtained by the Township Board and checks mailed to vendors or delivered to employees.

**Continue to Monitor Capital-type Special Assessments:** As you are aware, the recent downtrend in the economic environment in Michigan and the United States has increased the instances where property owners that have outstanding special assessments due the Township have not paid timely. The only recourse the Township generally has is to attempt to recover the unpaid assessments and other unpaid taxes is recovery through the tax foreclosure process. It has become apparent in the past year that many parcels that secure special assessment balances cannot be sold at the tax foreclosure sale for a price that will satisfy the assessments outstanding. In fact, some parcels are not selling at all because the future owner is not willing to inherit the large assessment liabilities. If such assessments were created to provide funds for the future debt service obligations on a general obligation bond issue the Township may be forced to make debt service payments from other Township resources (i.e. General Fund). We recommend the Township continue to monitor delinquent special assessments for collectability. In addition a cash flow analysis should be performed on an annual basis to determine if other Township resources will be needed to repay bonded debt.

This communication is intended solely for the information and use of management, Township Board of Trustees, and others with the organization, 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