

MARION TOWNSHIP

Report on Audit of Financial Statements

For the Year Ended June 30, 2010

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

Michael J. Kehoe, P.C.

TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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September 14, 2010

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, 2010, 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, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 11 and 46 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 2010

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, 2010. 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 \$37,495,740. This is a \$567,040 decrease over last year's net assets of \$38,062,780.

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 2010 | Fiscal Year 2009 | Fiscal Year 2010 | Fiscal Year 2009 | Fiscal Year 2010 | Fiscal Year 2009 |
| <u>ASSETS</u> | | | | | | |
| ASSETS | | | | | | |
| Current and other assets | \$ 17,125,296 | \$ 17,487,977 | \$ 13,342,629 | \$ 14,656,371 | \$ 30,467,925 | \$ 32,144,348 |
| Capital assets | 1,197,883 | 1,163,550 | 17,621,784 | 18,295,965 | 18,819,667 | 19,459,515 |
| Total assets | <u>18,323,179</u> | <u>18,651,527</u> | <u>30,964,413</u> | <u>32,952,336</u> | <u>49,287,592</u> | <u>51,603,863</u> |
| <u>LIABILITIES</u> | | | | | | |
| LIABILITIES | | | | | | |
| Other liabilities | 146,583 | 296,334 | 166,366 | 293,924 | 312,949 | 590,258 |
| Bonds/contracts payable | 1,813,903 | 2,135,825 | 9,665,000 | 10,815,000 | 11,478,903 | 12,950,825 |
| Total liabilities | <u>1,960,486</u> | <u>2,432,159</u> | <u>9,831,366</u> | <u>11,108,924</u> | <u>11,791,852</u> | <u>13,541,083</u> |
| <u>NET ASSETS</u> | | | | | | |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | 1,113,425 | 1,060,827 | 7,956,784 | 7,480,965 | 9,070,209 | 8,541,792 |
| Unrestricted | 10,676,912 | 12,530,732 | 512,290 | 581,396 | 11,189,202 | 13,112,128 |
| Restricted | 4,572,356 | 2,627,809 | 12,663,973 | 13,781,051 | 17,236,329 | 16,408,860 |
| Total net assets | <u>\$ 16,362,693</u> | <u>\$ 16,219,368</u> | <u>\$ 21,133,047</u> | <u>\$ 21,843,412</u> | <u>\$ 37,495,740</u> | <u>\$ 38,062,780</u> |

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

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Fiscal Year 2010 | Fiscal Year 2009 | Fiscal Year 2010 | Fiscal Year 2009 | Fiscal Year 2010 | Fiscal Year 2009 |
| REVENUES | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 244,655 | \$ 232,171 | \$ 173,243 | \$ 190,260 | \$ 417,898 | \$ 422,431 |
| Operating contributions | 26,831 | 11,600 | | | 26,831 | 11,600 |
| Capital contributions | 136,045 | | 3,750 | 10,000 | 139,795 | 10,000 |
| General revenues: | | | | | | |
| State shared revenues | 426,674 | 446,479 | | | 426,674 | 446,479 |
| Property taxes | 348,165 | 370,687 | | | 348,165 | 370,687 |
| Interest income - cash and assessments | 212,593 | 294,670 | 533,654 | 661,118 | 746,247 | 955,788 |
| Other | 76,176 | 50,382 | | | 76,176 | 50,382 |
| Change in equity of joint ventures | (218,195) | (65,198) | | | (218,195) | (65,198) |
| Total revenues | <u>1,252,944</u> | <u>1,340,791</u> | <u>710,647</u> | <u>861,378</u> | <u>1,963,591</u> | <u>2,202,169</u> |
| EXPENSES | | | | | | |
| General government | 788,259 | 813,088 | | | 788,259 | 813,088 |
| Parks and recreation | 78,826 | 79,867 | | | 78,826 | 79,867 |
| Public works | 149,589 | 366,995 | | | 149,589 | 366,995 |
| Interest on long-term debt | 92,945 | 113,994 | | | 92,945 | 113,994 |
| Sewer system | | | 1,421,012 | 1,205,091 | 1,421,012 | 1,205,091 |
| Bad debt provision | | 830,251 | | 2,504,067 | 3,334,318 | 3,334,318 |
| Total expenses | <u>1,109,619</u> | <u>2,204,195</u> | <u>1,421,012</u> | <u>3,709,158</u> | <u>5,864,949</u> | <u>5,913,353</u> |
| Change in net assets | 143,325 | (863,404) | (710,365) | (2,847,780) | (567,040) | (3,711,184) |
| BEGINNING 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> |
| ENDING NET ASSETS | <u><u>\$ 16,362,693</u></u> | <u><u>\$ 16,219,368</u></u> | <u><u>\$ 21,133,047</u></u> | <u><u>\$ 21,843,412</u></u> | <u><u>\$ 37,495,740</u></u> | <u><u>\$ 38,062,780</u></u> |

The governmental activity net assets increased by \$143,325, mostly due to maintaining or cutting costs of operations.

The business-type activity expenses exceeded revenues by \$710,365 for the year ended June 30, 2010. This is primarily due to a lack of connection fees, and depreciation on capital assets.

Financial Analysis of the Township's Funds

The Township had four major funds for the year ended June 30, 2010. 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 \$178,351. As previously mentioned costs of operations were cut intentionally by management.

The Water System Assessment Fund had revenues under expenditures totaling \$29,326. 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 remaining fund balance will be reduced annually until the bonds have been paid off.

The Water New User Fund had revenues exceeding expenditures by \$135,203. 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 Township's sole business-type fund, the Sewer Fund, had a net loss of \$710,365. This loss is largely due to a lack of connection fees paid to the Township, and depreciation on capital assets.

General Fund Budgetary Highlights

The Township adopted its budget prior to beginning operations for the year ended June 30, 2010. Total appropriations exceeded actual expenditures by \$108,821. This excess is largely due to the excess appropriations for planning commission and building improvement 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 \$72,918 for vacant land and park construction. During the year, the business-type fund, spent \$19,109 for vacant land.

The governmental funds issued no new debt during the year, but spent \$321,922 on principal and \$92,574 of interest on existing debt. The remaining debt in the governmental activities at June 30, 2010 was \$1,813,903.

The business-type funds issued no new debt during the year, but spent \$1,150,000 of principal and \$425,145 of interest on existing debt. The remaining debt in the business-type activities at June 30, 2010 was \$9,665,000.

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, 2010

| | Primary Government | | |
|---|----------------------------|-----------------------------|---------------|
| | Governmental Activities | Business-type Activities | Total |
| <u>ASSETS</u> | | | |
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,668,839 | \$ 30,025 | \$ 1,698,864 |
| Cash and cash equivalents restricted for capital and debt | 1,446,980 | 6,363,995 | 7,810,975 |
| Receivables: | | | |
| State shared revenues | 144,400 | | 144,400 |
| Accounts | 28,768 | 61,399 | 90,167 |
| Interest | 2,332 | 2,986 | 5,318 |
| Special assessments restricted for capital and debt: | | | |
| Current | 339,900 | 858,000 | 1,197,900 |
| Noncurrent | 1,594,404 | 5,755,186 | 7,349,590 |
| Internal balances | 190,928 | (190,928) | |
| Investment in joint ventures | 11,663,665 | | 11,663,665 |
| Capital assets, net | 1,197,883 | 17,621,784 | 18,819,667 |
| Bond issuance costs, net | 26,215 | 127,330 | 153,545 |
| Deferred amount on refunding bonds, net | 18,865 | 334,636 | 353,501 |
| | | | |
| Total assets | 18,323,179 | 30,964,413 | 49,287,592 |
| <u>LIABILITIES</u> | | | |
| LIABILITIES | | | |
| Accounts payable | 27,379 | 44,086 | 71,465 |
| Accrued liabilities | 117,479 | 122,280 | 239,759 |
| Deferred revenues | 1,725 | | 1,725 |
| Noncurrent liabilities: | | | |
| Due within one year | 322,509 | 1,135,000 | 1,457,509 |
| Due beyond one year | 1,491,394 | 8,530,000 | 10,021,394 |
| | | | |
| Total liabilities | 1,960,486 | 9,831,366 | 11,791,852 |
| <u>NET ASSETS</u> | | | |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 1,113,425 | 7,956,784 | 9,070,209 |
| Restricted for: | | | |
| Road construction and maintenance | 152,364 | | 152,364 |
| Capital projects | 1,203,097 | 2,093,889 | 3,296,986 |
| Debt service | 3,216,895 | 10,570,084 | 13,786,979 |
| Unrestricted | 10,676,912 | 512,290 | 11,189,202 |
| | | | |
| Total net assets | \$ 16,362,693 | \$ 21,133,047 | \$ 37,495,740 |

The notes are an integral part of the financial statements.

MARION TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Programs Revenues</u> | | |
|---------------------------------|-----------------------|---------------------------------|------------------------------------|----------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Contributions</u> | <u>Capital Contributions</u> |
| GOVERNMENTAL ACTIVITIES | | | | |
| General government | \$ (788,259) | \$ 211,672 | \$ 24,796 | \$ |
| Parks and recreation | (78,826) | | 2,035 | |
| Public works | (149,589) | 32,983 | | 136,045 |
| Interest on long-term debt | (92,945) | | | |
| Total governmental activities | <u>(1,109,619)</u> | <u>244,655</u> | <u>26,831</u> | <u>136,045</u> |
| BUSINESS-TYPE ACTIVITIES | | | | |
| Sewer system | <u>(1,421,012)</u> | <u>173,243</u> | | <u>3,750</u> |
| Total | <u>\$ (2,530,631)</u> | <u>\$ 417,898</u> | <u>\$ 26,831</u> | <u>\$ 139,795</u> |

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

Total general revenues

Change in equity of joint ventures

Changes in net assets

Net assets, July 1, 2009

Net assets, June 30, 2010

The notes are an integral part of the financial statements.

Net (Expenses) Revenue and Changes
in Net Assets

| Governmental Activities | Business-type Activities | Total |
|----------------------------|-----------------------------|----------------------|
| \$ (551,791) | \$ | \$ (551,791) |
| (76,791) | | (76,791) |
| 19,439 | | 19,439 |
| (92,945) | | (92,945) |
| (702,088) | | (702,088) |
| | (1,244,019) | (1,244,019) |
| (702,088) | (1,244,019) | (1,946,107) |
| 348,165 | | 348,165 |
| 426,674 | | 426,674 |
| 190,211 | 498,968 | 689,179 |
| 22,382 | 34,686 | 57,068 |
| 50,628 | | 50,628 |
| 25,548 | | 25,548 |
| 1,063,608 | 533,654 | 1,597,262 |
| (218,195) | | (218,195) |
| 143,325 | (710,365) | (567,040) |
| 16,219,368 | 21,843,412 | 38,062,780 |
| <u>\$ 16,362,693</u> | <u>\$ 21,133,047</u> | <u>\$ 37,495,740</u> |

FUND
FINANCIAL STATEMENTS

MARION TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

| | Major Funds | | |
|---------------------------------------|---------------------|------------------------------------|---------------------------|
| | General Fund | Water System Assessment Fund | Water New User Fund |
| <u>ASSETS</u> | | | |
| ASSETS | | | |
| Cash and investments | \$ 1,517,674 | \$ 867,527 | \$ 579,453 |
| Receivables | | | |
| Special assessments, net | | 2,309,549 | 546,821 |
| State shared revenues | 144,400 | | |
| Accrued interest | 1,415 | 917 | |
| Due from other funds | 16,598 | 41,706 | 208,031 |
| Due from others | | | |
| | <hr/> | <hr/> | <hr/> |
| Total assets | <u>\$ 1,680,087</u> | <u>\$ 3,219,699</u> | <u>\$ 1,334,305</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 10,392 | \$ | \$ 63 |
| Accrued wages and absences | 29,950 | | |
| Accrued pension | 575 | | |
| Accrued assessment chargeback | | | 86,954 |
| Due to other funds | | 2,804 | 44,191 |
| Deferred revenues | 1,725 | 2,309,549 | 546,821 |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities | <u>42,642</u> | <u>2,312,353</u> | <u>678,029</u> |
| FUND BALANCES | | | |
| Unreserved, undesignated | 1,637,445 | | |
| Unreserved, designated for cemetery | | | |
| Unreserved, designated for recreation | | | |
| Reserved for private roads | | | |
| Reserved for debt service | | 907,346 | |
| Reserved for capital projects | | | 656,276 |
| | <hr/> | <hr/> | <hr/> |
| Total fund balances | <u>1,637,445</u> | <u>907,346</u> | <u>656,276</u> |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities and fund balances | <u>\$ 1,680,087</u> | <u>\$ 3,219,699</u> | <u>\$ 1,334,305</u> |

The notes are an integral part of the financial statements.

| <u>Other Non-major Funds</u> | <u>Total</u> |
|--------------------------------------|---------------------|
| \$ 151,165 | \$ 3,115,819 |
| 127,933 | 2,984,303 |
| | 144,400 |
| | 2,332 |
| | 266,335 |
| <u>442</u> | <u>442</u> |
| <u>\$ 279,540</u> | <u>\$ 6,513,631</u> |

| | |
|----------------|------------------|
| \$ 16,924 | \$ 27,379 |
| | 29,950 |
| | 575 |
| | 86,954 |
| 86 | 47,081 |
| <u>127,933</u> | <u>2,986,028</u> |
| <u>144,943</u> | <u>3,177,967</u> |

| | |
|-------------------|---------------------|
| | 1,637,445 |
| 6,528 | 6,528 |
| 103,638 | 103,638 |
| 24,431 | 24,431 |
| | 907,346 |
| | <u>656,276</u> |
| <u>134,597</u> | <u>3,335,664</u> |
| <u>\$ 279,540</u> | <u>\$ 6,513,631</u> |

MARION TOWNSHIP
RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

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

| | | |
|--|--------------------|----------------------|
| Total fund balance per balance sheet | | \$ 3,335,664 |
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. | | |
| Historical cost | \$ 1,676,907 | |
| Depreciation | <u>(479,024)</u> | |
| Capital assets net of depreciation | | 1,197,883 |
| 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>(40,020)</u> | |
| Bond issuance costs net of amortization | | 45,080 |
| Equity interests in joint ventures are not financial resources and therefore not reported in the funds | | |
| Equity in joint ventures | | 11,663,665 |
| Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include: | | |
| Contracts payable | (828,903) | |
| Bonds payable | <u>(985,000)</u> | |
| Total long-term liabilities | | (1,813,903) |
| Deferred revenues on special assessments was recognized as revenue in the government-wide statements. Assessments are income as they are assessed. | | |
| Deferred income | 2,984,304 | |
| Portion related to interfund advance | <u>(1,050,000)</u> | |
| Total deferred revenue | | <u>1,934,304</u> |
| Net assets of governmental activities | | <u>\$ 16,362,693</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, 2010

| | Major Funds | | |
|---|---------------------|------------------------------------|---------------------------|
| | General Fund | Water System Assessment Fund | Water New User Fund |
| REVENUES | | | |
| Taxes | \$ 348,165 | \$ | \$ |
| Special assessments | | 360,083 | 131,161 |
| State shared revenues | 426,674 | | |
| Licenses and permits | 95,204 | | |
| Connection fees | | | 24,796 |
| Rental income | 50,628 | | |
| Donations | | | |
| Charges for services | 116,468 | | |
| Interest | 13,353 | 5,909 | 2,301 |
| Miscellaneous | 25,546 | | |
| | <u>1,076,038</u> | <u>365,992</u> | <u>158,258</u> |
| Total revenues | | | |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 742,230 | | |
| Parks and recreation | 62,375 | | |
| Public works | 48,170 | 1,800 | 4,294 |
| Debt service: | | | |
| Principal | 18,265 | 303,657 | |
| Interest | 3,084 | 89,861 | |
| Capital outlay: | | | |
| General government | 23,563 | | 18,761 |
| Parks and recreation | | | |
| | <u>897,687</u> | <u>395,318</u> | <u>23,055</u> |
| Total expenditures | | | |
| Excess (deficiency) of revenues over (under) expenditures | <u>178,351</u> | <u>(29,326)</u> | <u>135,203</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | | | |
| Transfers (out) | <u>(62,326)</u> | | |
| Total other financing sources (uses) | <u>(62,326)</u> | | |
| Net change in fund balances | 116,025 | (29,326) | 135,203 |
| FUND BALANCE, JULY 1, 2009 | <u>1,521,420</u> | <u>936,672</u> | <u>521,073</u> |
| FUND BALANCE, JUNE 30, 2010 | <u>\$ 1,637,445</u> | <u>\$ 907,346</u> | <u>\$ 656,276</u> |

The notes are an integral part of the financial statements.

| Other Non-major Funds | Total |
|-----------------------------|---------------------|
| \$ | \$ |
| 56,480 | 348,165 |
| | 547,724 |
| | 426,674 |
| | 95,204 |
| | 24,796 |
| | 50,628 |
| 2,035 | 2,035 |
| 3,000 | 119,468 |
| 819 | 22,382 |
| 2 | 25,548 |
| <u>62,336</u> | <u>1,662,624</u> |
| | |
| 9,796 | 752,026 |
| 10,988 | 73,363 |
| 87,045 | 141,309 |
| | 321,922 |
| | 92,945 |
| | 42,324 |
| <u>33,705</u> | <u>33,705</u> |
| <u>141,534</u> | <u>1,457,594</u> |
| | |
| <u>(79,198)</u> | <u>205,030</u> |
| | |
| 62,326 | 62,326 |
| | <u>(62,326)</u> |
| <u>62,326</u> | |
| | |
| (16,872) | 205,030 |
| <u>151,469</u> | <u>3,130,634</u> |
| <u>\$ 134,597</u> | <u>\$ 3,335,664</u> |

MARION TOWNSHIP
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

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

Net change in fund balances - governmental funds \$ 205,030

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 | \$ | 72,918 | |
| Depreciation expense | | <u>(38,585)</u> | |
| Total | | | 34,333 |

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 | | 131,922 | |
| Repayment of bonds payable | | <u>190,000</u> | |
| Total | | | 321,922 |

Principal received on special assessments are income as they are levied annually for governmental funds, but they are income when they are established for the Statement of Activities.

| | | | |
|------------------------------------|--|----------------|---------------|
| Principal collected on assessments | | (327,530) | |
| Establishment of new districts | | <u>136,045</u> | |
| Total | | | (191,485) |

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.

(218,195)

Change in net assets of governmental activities \$ 143,325

The notes are an integral part of the financial statements.

MARION TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUND - SEWER FUND
JUNE 30, 2010

ASSETS

CURRENT ASSETS

| | | |
|-----------------------------|-----------|--|
| Cash and cash equivalents | \$ 30,025 | |
| Accounts receivable - usage | 61,399 | |
| | | |

Total current assets \$ 91,424

CURRENT ASSETS (RESTRICTED)

| | | |
|--|-----------|--|
| Cash and cash equivalents - debt service & future improvements | 4,169,178 | |
| Cash and cash equivalents - phase II plant | 2,194,817 | |
| Special assessments receivable - bonded | 849,000 | |
| Special assessments receivable - unbonded | 9,000 | |
| Accrued interest | 2,986 | |
| | | |

Total current assets (restricted) 7,224,981

PROPERTY, PLANT AND EQUIPMENT

| | | |
|--------------------------------|------------|--|
| Sewer collection system | 14,046,608 | |
| Sewer plant | 9,795,116 | |
| Computers, equipment, software | 134,102 | |
| Land | 185,160 | |
| | | |
| | 24,160,986 | |
| Less: accumulated depreciation | 6,539,202 | |

Net property, plant and equipment 17,621,784

OTHER ASSETS

| | | |
|---|---------|--|
| Bond issuance costs, net | 127,330 | |
| Deferred amount on refunding bonds, net | 334,636 | |
| | | |

Total other assets 461,966

RESTRICTED ASSETS

| | | |
|---|-----------|--|
| Special assessments receivable - bonded | 5,674,186 | |
| Special assessments receivable - unbonded | 81,000 | |
| | | |

Total restricted assets 5,755,186

Total assets \$ 31,155,341

The notes are an integral part of the financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|--------------------------------------|------------------|
| Accounts payable | \$ 44,086 |
| Due to other funds | 190,928 |
| Accrued chargeback from county | 122,280 |
| Bond payable - refunding series 2007 | <u>1,135,000</u> |

Total current liabilities \$ 1,492,294

LONG-TERM LIABILITIES

| | |
|--------------------------------------|------------------|
| Bond payable - refunding series 2007 | <u>8,530,000</u> |
|--------------------------------------|------------------|

Total liabilities 10,022,294

NET ASSETS

| | |
|--|----------------|
| Invested in capital assets net of related debt | 7,956,784 |
| Reserved for: | |
| Capital projects | 2,093,889 |
| Debt service | 10,570,084 |
| Unreserved | <u>512,290</u> |

Total net assets 21,133,047

Total liabilities and net assets \$ 31,155,341

MARION TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND - SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2010

| | | |
|---|-----------------|-----------------------------|
| OPERATING REVENUES | | |
| User charges | | \$ 173,243 |
| OPERATING EXPENSES | | |
| Contract labor | \$ 45,984 | |
| Sewer usage fee | 85,001 | |
| Depreciation expense | 693,290 | |
| Utilities | 9,263 | |
| Telephone | 3,420 | |
| Administrative fees - reimbursement to general fund | 2,485 | |
| Professional fees | 25,969 | |
| Administrative fees - billing administration Genoa Township | 14,272 | |
| Repairs and maintenance | <u>48,366</u> | |
| Total operating expenses | | <u>928,050</u> |
| Operating (loss) | | (754,807) |
| NON-OPERATING REVENUES AND (EXPENSES) | | |
| Interest income - assessments | 498,968 | |
| Interest income - cash and investments | 34,686 | |
| Interest expense - debt | (474,332) | |
| Amortization - bond issuance costs | <u>(18,630)</u> | |
| Total non-operating revenue | | 40,692 |
| CAPITAL CONTRIBUTIONS | | |
| Connection fees - new users | | <u>3,750</u> |
| Net (loss) | | (710,365) |
| NET ASSETS, JULY 1, 2009 | | <u>21,843,412</u> |
| NET ASSETS, JUNE 30, 2010 | | <u><u>\$ 21,133,047</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, 2010

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Cash receipts from:

| | |
|----------------|------------|
| Customer usage | \$ 174,542 |
|----------------|------------|

Cash disbursements to:

| | |
|-------------------|------------------|
| Operating vendors | <u>(213,752)</u> |
|-------------------|------------------|

| | |
|---|----------|
| Net cash (used in) operating activities | (39,210) |
|---|----------|

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

| | |
|-------------------------|-------------|
| Capital asset purchases | \$ (19,109) |
|-------------------------|-------------|

| | |
|---|-----------|
| Special assessment collections - principal and interest | 1,417,441 |
|---|-----------|

| | |
|--------------------------|-------|
| Connection fees received | 3,750 |
|--------------------------|-------|

| | |
|--|-------------|
| Repayment of bond payable - principal and interest | (1,575,370) |
|--|-------------|

| | |
|------------------------------------|---------|
| Short term advance from other fund | 188,371 |
|------------------------------------|---------|

| | |
|---|------------------|
| Repayment of prior year accrued assessment chargeback | <u>(169,039)</u> |
|---|------------------|

| | |
|---|-----------|
| Net cash flows (used in) capital and related financing activities | (153,956) |
|---|-----------|

CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES

| | |
|--|---------------|
| Interest income - cash and investments | <u>33,360</u> |
|--|---------------|

| | |
|---------------------------------------|-----------|
| Decrease in cash and cash equivalents | (159,806) |
|---------------------------------------|-----------|

| | |
|-----------------------|------------------|
| BALANCE, JULY 1, 2009 | <u>6,553,826</u> |
|-----------------------|------------------|

| | |
|------------------------|----------------------------|
| BALANCE, JUNE 30, 2010 | <u><u>\$ 6,394,020</u></u> |
|------------------------|----------------------------|

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

| | |
|------------------|--------------|
| Operating (loss) | \$ (754,807) |
|------------------|--------------|

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

| | |
|----------------------|---------|
| Depreciation expense | 693,290 |
|----------------------|---------|

Change in assets and liabilities:

| | |
|------------------|-------|
| Receivables, net | 1,299 |
|------------------|-------|

| | |
|-----------------------------|---------------|
| Accounts and other payables | <u>21,008</u> |
|-----------------------------|---------------|

| | |
|---|---------------------------|
| Net cash (used in) operating activities | <u><u>\$ (39,210)</u></u> |
|---|---------------------------|

The notes are an integral part of the financial statements.

MARION TOWNSHIP
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2010

| | Agency Funds | | | Total |
|------------------------|---------------------|----------------|--|-----------|
| | Current Tax Fund | Escrow Fund | Flexible Medical Savings Fund | |
| <u>ASSETS</u> | | | | |
| ASSETS | | | | |
| Cash | \$ 931 | \$ 17,892 | \$ 2,814 | \$ 21,637 |
| Due from other funds | | 28,471 | | 28,471 |
| Total assets | \$ 931 | \$ 46,363 | \$ 2,814 | \$ 50,108 |
| <u>LIABILITIES</u> | | | | |
| LIABILITIES | | | | |
| Due to others | \$ 911 | \$ 18,055 | \$ 2,814 | \$ 21,780 |
| Due to other funds | 20 | 28,308 | | 28,328 |
| Total liabilities | \$ 931 | \$ 46,363 | \$ 2,814 | \$ 50,108 |

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, 2010

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.
3. Howell Area Parks and Recreation Authority - Marion Township appoints one (1) member of the Authority's five (5) member board. The Authority was incorporated July 1, 2008 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, 2010

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, 2010

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, 2010

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 2009 - 2010 fiscal year budget for each governmental fund was adopted by the Township Board in June of 2009. 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, 2010

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, 2010, the Township recognized the property taxes levied December 1, 2009 as revenue.

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 9, 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, 2010

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, 2010, deposits in banks totaled \$7,344,297 which was exposed to custodial credit risk as follows:

| | |
|---|----------------------------|
| Insured by FDIC | \$ 7,009,694 |
| Uninsured and collateralized | |
| by securities held by pledging financial institutions | 186,517 |
| Uninsured and Uncollateralized | <u>148,086</u> |
| | <u><u>\$ 7,344,297</u></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, 2010 the Township's investments were exposed to custodial credit risk as follows:

| | |
|---------------------------------|----------------------------|
| Insured by SIPC | \$ 500,000 |
| Insured by commercial insurance | <u>1,694,817</u> |
| | <u><u>\$ 2,194,817</u></u> |

MARION TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010

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, 2010 the Township's investments were rated as follows:

| <u>Investment Type</u> | <u>Standard & Poors</u> | <u>Amount</u> |
|------------------------|---------------------------------|---------------|
| SB Money Funds | Unrated | \$ 2,194,817 |

The Township's investment policy addresses credit risk and investments held at June 30, 2010 comply with the policy and statutory authority.

As of June 30, 2010 cash and cash equivalents consist of the following:

| | |
|--------------------------------------|----------------------------|
| Cash and cash equivalents | |
| Deposits with financial institutions | \$ 7,336,259 |
| Money market fund | 2,194,817 |
| Cash on hand | <u>400</u> |
| Total cash and cash equivalents | <u><u>\$ 9,531,476</u></u> |

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

| | |
|--|----------------------------|
| Statement of Net Assets | |
| Cash and cash equivalents | \$ 1,698,864 |
| Cash and cash equivalents - restricted | <u>7,810,975</u> |
| Total | 9,509,839 |
| Fiduciary Funds | |
| Cash and cash equivalents | <u>21,637</u> |
| Total cash and cash equivalents | <u><u>\$ 9,531,476</u></u> |

Variance between amounts stated as total deposits per the custodial credit risk section and in the above reconciliation are the result of checks issued before the balance sheet date that had not cleared the bank through same.

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 3 - INTERFUND TRANSACTIONS AND BALANCES

Interfund transfers for the year ended June 30, 2010 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 | \$ 25,000 |
| Private Road Fund (non-major) | General Fund | Provide additional capital | <u>37,326</u> |
| | | | <u>\$ 62,326</u> |

Interfund receivables and payables between individual funds of the Township, as reported in the fund financial statements, as of June 30, 2010 are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>June 30, 2010 Balance</u> |
|------------------------------|------------------------------|----------------------------------|
| General Fund | Sewer Fund | \$ 2,778 |
| General Fund | Water New User | 2,485 |
| Water New User Fund | Sewer Fund | 188,150 |
| Water System Assessment Fund | Water New User Fund | 41,704 |
| Water New User Fund | Escrow Fund | 17,078 |
| General Fund | Escrow Fund | 11,230 |
| General Fund | Cemetery Fund | 23 |
| General Fund | Current Tax Fund | 20 |
| General Fund | Recreation Fund | 63 |
| Water New User Fund | Water System Assessment Fund | <u>2,804</u> |
| | | <u>\$ 266,335</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, 2010

NOTE 4 - CAPITAL ASSETS

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

| | Balance 7/1/2009 | Additions | Deletions | Balance 6/30/2010 |
|--|---------------------|-----------|-----------|----------------------|
| <u>Governmental Activities</u> | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 247,688 | \$ 32,095 | | \$ 279,783 |
| Construction in progress | 18,165 | | 18,165 | |
| Subtotal | 265,853 | 32,095 | 18,165 | 279,783 |
| Capital assets being depreciated: | | | | |
| Buildings | 1,204,795 | | | 1,204,795 |
| Equipment | 74,634 | 21,530 | | 96,164 |
| Park improvements | 58,707 | 37,458 | | 96,165 |
| Subtotal | 1,338,136 | 58,988 | | 1,397,124 |
| Accumulated depreciation: | | | | |
| Buildings | (392,590) | (25,575) | | (418,165) |
| Equipment | (39,572) | (7,547) | | (47,119) |
| Park improvements | (8,277) | (5,463) | | (13,740) |
| Subtotal | (440,439) | (38,585) | | (479,024) |
| Net capital assets being depreciated | 897,697 | 20,403 | | 918,100 |
| Net capital assets | \$ 1,163,550 | \$ 52,498 | \$ 18,165 | 1,197,883 |
| Less: Related long-term debt outstanding as of June 30, 2010 | | | | (84,458) |
| Net assets invested in governmental capital assets net of related debt | | | | \$ 1,113,425 |

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 4 - CAPITAL ASSETS - continued

| | Balance 7/1/2009 | Additions | Deletions | Balance 6/30/2010 |
|---|---------------------|--------------|-----------|----------------------|
| <u>Business-type Activities</u> | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 166,051 | \$ 19,109 | \$ | \$ 185,160 |
| Capital assets being depreciated: | | | | |
| Sewer plant | 9,795,116 | | | 9,795,116 |
| Collection system | 14,046,608 | | | 14,046,608 |
| Equipment | 134,102 | | | 134,102 |
| Subtotal | 23,975,826 | | | 23,975,826 |
| Accumulated depreciation: | | | | |
| Sewer plant | (2,353,117) | (267,757) | | (2,620,874) |
| Collection system | (3,372,104) | (412,123) | | (3,784,227) |
| Equipment | (120,691) | (13,410) | | (134,101) |
| Subtotal | (5,845,912) | (693,290) | | (6,539,202) |
| Net capital assets being depreciated | 18,129,914 | (693,290) | | 17,436,624 |
| Net capital assets | \$ 18,295,965 | \$ (674,181) | \$ | 17,621,784 |
| Less: Related long-term debt outstanding as of June 30, 2010 | | | | 9,665,000 |
| Net assets invested in business-type capital assets net of related debt | | | | \$ 7,956,784 |

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

| | |
|------------------------------------|------------|
| Governmental activities: | |
| General government | \$ 33,122 |
| Parks and recreation | 5,463 |
| | 38,585 |
| Business-type activities: | |
| Sewer disposal | 693,290 |
| Total government-wide depreciation | \$ 731,875 |

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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% | \$ 436,111 |
| Livingston County Joint Water System Series E | \$ 743,750 | \$ 22,222 — \$ 53,472 | 6/1/2016 | 5.20 — 5.375% | <u>308,334</u> |
| Total contracts payable outstanding | | | | | <u><u>\$ 744,445</u></u> |

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

| Year Ending June 30 | Governmental Activities | |
|------------------------|--------------------------|--------------------------|
| | Principal | Interest |
| 2011 | \$ 113,657 | \$ 40,941 |
| 2012 | 126,157 | 34,706 |
| 2013 | 126,157 | 27,816 |
| 2014 | 126,157 | 20,859 |
| 2015 | 126,157 | 13,922 |
| 2016 | <u>126,160</u> | <u>6,970</u> |
| | <u><u>\$ 744,445</u></u> | <u><u>\$ 145,214</u></u> |

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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% | \$ 985,000 |
| Business-type activities: | | | | | |
| 2005 Sanitary Sewer refunding bonds | \$ 13,525,000 | \$ 115,000 — \$ 1,210,000 | 6/1/2019 | 3.5 — 4.2% | <u>9,665,000</u> |
| Total general obligation bonds | | | | | <u>\$ 10,650,000</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 |
| 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 | 175,000 | 10,000 | 1,210,000 | 203,368 |
| 2016 - 2019 | 75,000 | 3,000 | 3,800,000 | 341,674 |
| | <u>\$ 985,000</u> | <u>\$ 120,580</u> | <u>\$ 9,665,000</u> | <u>\$ 1,810,056</u> |

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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>\$ 84,458</u> |

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

| Year Ending June 30 | Governmental Activities | |
|------------------------|-------------------------|-----------------|
| | Principal | Interest |
| 2011 | \$ 18,852 | \$ 2,497 |
| 2012 | 19,462 | 1,887 |
| 2013 | 20,102 | 1,247 |
| 2014 | 20,758 | 505 |
| 2015 | 5,284 | 129 |
| | <u>\$ 84,458</u> | <u>\$ 6,265</u> |

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2010:

| | Balance 7/1/2009 | Additions | Reductions | Balance 6/30/2010 | Due Within One Year |
|--|----------------------|-----------|---------------------|----------------------|------------------------|
| Governmental activities: | | | | | |
| Contracts payable | \$ 858,102 | \$ | \$ 113,657 | \$ 744,445 | \$ 113,657 |
| General obligation bonds | 1,175,000 | | 190,000 | 985,000 | 190,000 |
| Installment loans | 102,723 | | 18,265 | 84,458 | 18,852 |
| Governmental activity long-term liabilities | 2,135,825 | | 321,922 | 1,813,903 | 322,509 |
| Business-type activities: | | | | | |
| General obligation bonds | 10,815,000 | | 1,150,000 | 9,665,000 | 1,135,000 |
| Total long-term liabilities | <u>\$ 12,950,825</u> | <u>\$</u> | <u>\$ 1,471,922</u> | <u>\$ 11,478,903</u> | <u>\$ 1,457,509</u> |

MARION TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010

NOTE 6 - 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. However, as of May 13, 2010, the Township passed a resolution to decrease the contribution to 2% of compensation beginning with the June 2010 payroll. 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, 2010 was \$350,596.

| | |
|---|------------------|
| TOTAL CURRENT YEAR EMPLOYER CONTRIBUTIONS | <u>\$ 26,326</u> |
|---|------------------|

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. The Township is not obligated to make matching or employer contributions to the plan.

NOTE 7 - 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:

| | 7/1/2009 | 6/30/2010 |
|---------------------------|---------------------|---------------------|
| Current assets | | |
| Cash and cash equivalents | <u>\$ 6,553,826</u> | <u>\$ 6,394,020</u> |

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 8 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2010 the Township is exposed to the following commitments and contingencies:

- A. The Township currently has a significant amount of water and sewer special assessment receivable balances on parcels of vacant land. The majority of balances due on these assessments are current, however a portion has gone delinquent and such delinquent installments have been purchased by the Livingston County Delinquent Tax Revolving Fund.

Contingent Assessment Losses Deemed Probable

Management has estimated and provided a reserve of approximately \$210,000 as of June 30, 2010 for probable charge backs for special assessment installments previously received from the Livingston County Delinquent Tax Revolving Fund. This reserve has been recorded as a liability in the government-wide and fund financial statements in accordance with current accounting standards. See Note 10 for additional details.

Contingent Assessment Losses Deemed Possible

Certain vacant parcels of land exist in the Township in which the approximate outstanding balance of water and sewer special assessments as of June 30, 2010 is \$1,395,000. Such balance includes delinquent installments owed to the Livingston County Delinquent Tax Revolving Fund of approximately \$560,000 (excluding additional penalties and interest assessed by the County) which the Township could bear ultimate responsibility. Management believes that the value of the land that collateralizes these special assessment receivables should provide adequate security to the Township in the event the land is forfeited and sold at the tax foreclosure sale. As a result, a reserve for a possible charge back from the County or an allowance against the receivable balance has not been established in the government-wide and fund financial statements as management does not feel the potential losses reach the level of probable.

- B. 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 \$3,200,000. The plaintiff claims that the assessment is approximately three times greater than it should be because it could have constructed a private system for approximately \$1,000,000. As a result, the plaintiff is seeking a reduction in its assessment upward to \$2,000,000.

As the result of a favorable ruling from the Michigan Tax Tribunal and a pending appeal to the Michigan Court of Appeals, management believes that the likelihood of an unfavorable outcome to the Township is less than 10%, and therefore such a potential loss does not reach the level of probable.

NOTE 9 - 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.

MARION TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010

NOTE 9 - SPECIAL ASSESSMENTS RECEIVABLE (continued)

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 | \$ 1,409,119 | \$ 927,066 | \$ 8,526,492 | \$ 10,862,677 |
| Less: allowance for uncollectable assessments | <u>(149,570)</u> | <u>(380,245)</u> | <u>(1,913,305)</u> | <u>(2,443,120)</u> |
| Net special assessments receivable | <u>\$ 1,259,549</u> | <u>\$ 546,821</u> | <u>\$ 6,613,187</u> | <u>\$ 8,419,557</u> |

NOTE 10 - ACCRUED CHARGEBACKS

As noted above under Note 9 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. To follow is management's estimate of amounts expected to be repaid as of June 30, 2010:

| | |
|---------------------|-------------------|
| Water New User Fund | \$ 86,954 |
| Sewer Fund | <u>122,280</u> |
| Total | <u>\$ 209,234</u> |

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 11 - ASSETS RESTRICTED FOR CAPITAL AND DEBT

Restricted assets in the Water Assessment Debt Service Fund, Water New User Capital Projects Fund and Sewer Proprietary Fund as of June 30, 2010 consisted of the following:

| | Water | Water New | Sewer Fund | Total |
|---------------------------------|--------------|--------------|---------------|---------------|
| Cash and cash equivalents | \$ 867,527 | \$ 579,453 | \$ 6,363,995 | \$ 7,810,975 |
| Special assessment receivables: | | | | |
| Current | 242,700 | 63,800 | 858,000 | 1,164,500 |
| Long-term | 1,016,849 | 483,021 | 5,755,186 | 7,255,056 |
| Total | \$ 2,127,076 | \$ 1,126,274 | \$ 12,977,181 | \$ 16,230,531 |

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

NOTE 12 - INVESTMENT IN JOINT VENTURES

As of June 30, 2010 the Township has investments in three 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 \$11,223,725 as of June 30, 2010. 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, 2009 (the date financial information was last available) were as follows:

| | |
|-------------------|---------------|
| Total assets | \$ 45,160,106 |
| Total liabilities | \$ 265,206 |
| Total net assets | \$ 44,894,900 |
| Total revenue | \$ 1,975,719 |
| Total expenses | \$ 2,973,532 |

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 12 - INVESTMENT IN JOINT VENTURES (continued)

Howell Area Fire Authority

The Township is a member of the Howell Area Fire Authority (hereinafter "Fire Authority"). The Fire Authority was incorporated by the City of Howell and the townships of Marion, Howell, Oceola, and Cohoctah. The Fire Authority was formed for the purpose of providing fire protection and safety services to the residents of its incorporating members. The Fire 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, 2010. 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 Fire Authority can be obtained from the administrative offices of the Authority 1211 W. Grand River, Howell, Michigan. Selected financial information of the Fire Authority as of and for the fiscal year ended June 30, 2009 (the date financial information was last available) 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 |

Howell Area Parks and Recreation Authority

The Township is a member of the Howell Area Parks and Recreation Authority (hereinafter "Recreation Authority"). The Recreation Authority was incorporated by the City of Howell and the Townships of Marion, Oceola and Genoa. The Recreation Authority was formed for the purpose of providing recreational opportunities for the citizens of the member governments. The Recreation Authority began operating on July 1, 2008. The Township appoints one member to the five member Recreation Authority board. The Township's equity interest in the joint venture at June 30, 2010 is insignificant and is therefore not recorded within the governmental activities column in the Statement of Net Assets.

The Township is also responsible to contribute a certain amount of cash each year to subsidize the Recreation Authority's operating costs. Such contributions are calculated annually based upon budgeted needs. The Township is unaware of any circumstances that would cause an additional burden or benefit to the participating governments in the near future. Complete financial statements for the Recreation Authority can be obtained from the administrative offices at 925 West Grand River, Howell, Michigan. Selected financial information of the Recreation Authority as of and for the fiscal year ended June 30, 2009 (the date financial information was last available) was as follows:

| | |
|--------------------|-------------|
| Total assets | \$ 42,358 |
| Total liabilities | \$ 57,202 |
| Total net assets | \$ (14,844) |
| Total revenue | \$ 757,280 |
| Total expenditures | \$ 772,124 |

NOTE 13 - RELATED PARTY TRANSACTIONS

The Township leases space to the Howell Area Fire Authority (hereinafter "Authority"). As explained in further detail in Note 12 the Township is a member in the Authority. During the year ended June 30, 2010 the Township received \$19,658 in lease revenues from the Authority.

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 14 - NEW ACCOUNTING STANDARDS

The GASB has issued the following statements which will become effective in future years as explained further below:

GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This Statement establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies in reporting of these types of assets. The Statement requires that all intangible assets not specifically excluded by its scope and provisions be classified as capital assets. This Statement will become effective for the Township in fiscal year ending June 30, 2011. Management has not yet determined the effect of this Statement on the financial statements.

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the resources reported in the governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved will be replaced with five new classifications of non-spendable, restricted, committed, assigned and unassigned. The Statement will become effective for the Township in the fiscal year ending June 30, 2012. Management has not yet determined the effect of this Statement on the financial statements.

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, 2010

| | Budget Amount | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|----------------------------|----------------------------|----------------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ | \$ | \$ 348,165 | \$ |
| Licenses and permits | | | 95,204 | |
| State shared revenues | | | 426,674 | |
| Charges for services | | | 116,468 | |
| Other revenues | | | 89,527 | |
| | <hr/> | | <hr/> | |
| Total revenues | 1,078,983 | 1,081,568 | 1,076,038 | (5,530) |
| EXPENDITURES | <u>1,077,546</u> | <u>1,006,508</u> | <u>897,687</u> | <u>108,821</u> |
| Excess of revenues over expenditures | 1,437 | 75,060 | 178,351 | 103,291 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers (out) | <u>(32,500)</u> | <u>(25,000)</u> | <u>(62,326)</u> | <u>(37,326)</u> |
| Net change in fund balance | (31,063) | 50,060 | 116,025 | 65,965 |
| FUND BALANCE, JULY 1, 2009 | <u>1,521,420</u> | <u>1,521,420</u> | <u>1,521,420</u> | |
| FUND BALANCE, JUNE 30, 2010 | <u><u>\$ 1,490,357</u></u> | <u><u>\$ 1,571,480</u></u> | <u><u>\$ 1,637,445</u></u> | <u><u>\$ 65,965</u></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, 2010

| | Budget Amount | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---------------------------------|-------------------|-------------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Special assessments - principal | \$ | \$ | \$ 254,057 | \$ |
| Special assessments - interest | | | 106,026 | |
| Interest income | | | 5,909 | |
| Total revenues | <u>367,194</u> | <u>367,194</u> | <u>365,992</u> | <u>(1,202)</u> |
| EXPENDITURES | | | | |
| Debt - principal | | | 303,657 | |
| Debt - interest | | | 89,480 | |
| Other | | | 2,181 | |
| Total expenditures | <u>398,036</u> | <u>398,036</u> | <u>395,318</u> | <u>2,718</u> |
| Net change in fund balance | (30,842) | (30,842) | (29,326) | 1,516 |
| FUND BALANCE, JULY 1, 2009 | <u>936,672</u> | <u>936,672</u> | <u>936,672</u> | |
| FUND BALANCE, JUNE 30, 2010 | <u>\$ 905,830</u> | <u>\$ 905,830</u> | <u>\$ 907,346</u> | <u>\$ 1,516</u> |

NOTES TO REQUIRED
SUPPLEMENTARY INFORMATION

MARION TOWNSHIP
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2010

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, 2010. 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, 2010 expenditures exceeded appropriations in a few areas as follows:

| | Final Budget | Actual Expenditures | Variance (Unfavorable) |
|-------------------|-------------------|------------------------|---------------------------|
| General Fund: | | | |
| Public works | \$ 6,769 | \$ 8,094 | \$ (1,325) |
| Unallocated | 317,828 | 327,652 | (9,824) |
| Cemetery Fund | 7,300 | 8,476 | (1,176) |
| Recreation Fund | 26,000 | 44,693 | (18,693) |
| Private Road Fund | 15,000 | 88,365 | (73,365) |
| | <u>\$ 372,897</u> | <u>\$ 477,280</u> | <u>\$ (104,383)</u> |

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 a result of various project costs being incurred in the current fiscal year but in which budget was not amended for projects approved and undertaken after original budget was adopted.

SUPPLEMENTARY
INFORMATION

COMBINING
FINANCIAL
STATEMENTS

MARION TOWNSHIP
ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010

| | Cemetery Fund | Recreation Fund | Water System Assessment Fund |
|-------------------------------------|------------------|--------------------|------------------------------------|
| <u>ASSETS</u> | | | |
| ASSETS | | | |
| Cash | \$ 7,453 | \$ 103,889 | \$ 867,527 |
| Note receivable - water new user | | | 1,050,000 |
| Special assessments receivable, net | | | 1,259,549 |
| Accrued interest receivable | | | 917 |
| Due from other funds | | 442 | 41,706 |
| | | | |
| Total assets | \$ 7,453 | \$ 104,331 | \$ 3,219,699 |
| <u>LIABILITIES AND FUND BALANCE</u> | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 902 | \$ 630 | \$ |
| Due to other funds | 23 | 63 | 2,804 |
| Deferred revenue | | | 2,309,549 |
| | | | |
| Total liabilities | 925 | 693 | 2,312,353 |
| FUND BALANCE | | | |
| | 6,528 | 103,638 | 907,346 |
| Total liabilities and fund balance | \$ 7,453 | \$ 104,331 | \$ 3,219,699 |

| <u>Private Road Fund</u> | <u>Totals</u> |
|------------------------------|---------------------|
| \$ 39,823 | \$ 1,018,692 |
| | 1,050,000 |
| 127,933 | 1,387,482 |
| | 917 |
| | <u>42,148</u> |
| <u>\$ 167,756</u> | <u>\$ 3,499,239</u> |

| | |
|-------------------|---------------------|
| \$ 15,392 | \$ 16,924 |
| | 2,890 |
| <u>127,933</u> | <u>2,437,482</u> |
| 143,325 | 2,457,296 |
| <u>24,431</u> | <u>1,041,943</u> |
| <u>\$ 167,756</u> | <u>\$ 3,499,239</u> |

MARION TOWNSHIP
 ALL SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2010

| | Cemetery Fund | Recreation Fund | Water System Assessment Fund |
|--|------------------|--------------------|------------------------------------|
| REVENUES | | | |
| Special assessments | \$ | \$ | \$ 360,083 |
| Service charges | 3,000 | | |
| Donations | | 1,524 | |
| Interest income | 51 | 599 | 5,909 |
| Gazebo brick paver sales | | 511 | |
| Other income | 2 | | |
| Total revenues | 3,053 | 2,634 | 365,992 |
| EXPENDITURES | | | |
| Construction and maintenance | 8,476 | 10,419 | |
| Debt service | | | 393,137 |
| Capital outlay | | 33,705 | |
| Agent fees | | | 381 |
| Other expenditures | | 569 | 1,800 |
| Total expenditures | 8,476 | 44,693 | 395,318 |
| Excess (deficiency) of revenues over (under) expenditures | (5,423) | (42,059) | (29,326) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | | 25,000 | |
| Net changes in fund balances | (5,423) | (17,059) | (29,326) |
| FUND BALANCE, JULY 1, 2009 | 11,951 | 120,697 | 936,672 |
| FUND BALANCE, JUNE 30, 2010 | \$ 6,528 | \$ 103,638 | \$ 907,346 |

| Private Road Fund | Totals |
|----------------------|---------------------|
| \$ 56,480 | \$ 416,563 |
| | 3,000 |
| | 1,524 |
| 169 | 6,728 |
| | 511 |
| | 2 |
| <u>56,649</u> | <u>428,328</u> |
| 87,045 | 105,940 |
| | 393,137 |
| | 33,705 |
| | 381 |
| <u>1,320</u> | <u>3,689</u> |
| <u>88,365</u> | <u>536,852</u> |
| (31,716) | (108,524) |
| <u>37,326</u> | <u>62,326</u> |
| 5,610 | (46,198) |
| <u>18,821</u> | <u>1,088,141</u> |
| <u>\$ 24,431</u> | <u>\$ 1,041,943</u> |

INDIVIDUAL
FUNDS

GENERAL
FUND

MARION TOWNSHIP
GENERAL FUND
BALANCE SHEET
JUNE 30, 2010

ASSETS

ASSETS

| | | |
|-----------------------------|--|--------------------------------|
| Cash | | \$ 1,517,674 |
| Accounts receivable - state | | 144,400 |
| Accrued interest receivable | | 1,415 |
| Due from other funds | | <u>16,598</u> |
| Total assets | | <u><u>\$ 1,680,087</u></u> |

LIABILITIES AND FUND BALANCE

LIABILITIES

| | | |
|----------------------------|--------------|---------------|
| Accounts payable | \$ 10,392 | |
| Accrued wages and salaries | 29,950 | |
| Accrued pension | 575 | |
| Deferred revenues | <u>1,725</u> | |
| Total liabilities | | \$ 42,642 |

FUND BALANCE

| | | |
|------------------------------------|--|----------------------------|
| Total liabilities and fund balance | | <u><u>\$ 1,680,087</u></u> |
|------------------------------------|--|----------------------------|

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------------|--------------|--|
| REVENUES | | | |
| Property taxes | \$ 343,050 | \$ 348,165 | \$ 5,115 |
| Licenses and permits | 83,100 | 95,204 | 12,104 |
| State shared revenues | 469,000 | 426,674 | (42,326) |
| Charges for services | 121,300 | 116,463 | (4,837) |
| Other revenues | 65,118 | 89,532 | 24,414 |
| Total revenues | 1,081,568 | 1,076,038 | (5,530) |
| EXPENDITURES | 1,006,508 | 897,687 | 108,821 |
| Excess of revenues over expenditures | 75,060 | 178,351 | 103,291 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers (out) | (25,000) | (62,326) | (37,326) |
| Net change in fund balance | 50,060 | 116,025 | 65,965 |
| FUND BALANCE, JULY 1, 2009 | 1,521,420 | 1,521,420 | |
| FUND BALANCE, JUNE 30, 2010 | \$ 1,571,480 | \$ 1,637,445 | \$ 65,965 |

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

| | Budget | Actual | Variance Favorable (Unfavorable) |
|-------------------------------|--------------|--------------|--|
| PROPERTY TAXES | \$ 343,050 | \$ 348,165 | \$ 5,115 |
| LICENSES AND PERMITS | | | |
| Licenses, fees, permits | | 6,150 | |
| Cable franchise fees | | 89,054 | |
| Total licenses and permits | 83,100 | 95,204 | 12,104 |
| STATE SHARED REVENUES | 469,000 | 426,674 | (42,326) |
| CHARGES FOR SERVICES | | | |
| Meeting fees | | 1,700 | |
| Tax collection administration | | 114,763 | |
| Total charges for services | 121,300 | 116,463 | (4,837) |
| OTHER REVENUES | | | |
| Printing and publications | | 398 | |
| Interest income | | 13,353 | |
| Fire station lease | | 19,658 | |
| Cell tower lease | | 30,300 | |
| Rental income | | 670 | |
| Miscellaneous | | 15,372 | |
| Metro act | | 9,781 | |
| Total other revenues | 65,118 | 89,532 | 24,414 |
| Total revenues | \$ 1,081,568 | \$ 1,076,038 | \$ (5,530) |

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--------------------------------|---------------|---------------|---|
| TOWNSHIP BOARD | | | |
| Salaries | \$ | \$ 31,714 | \$ |
| Meetings and seminars | | 288 | |
| Mileage | | 82 | |
| Printing and publications | | 1,505 | |
| Membership dues | | 5,617 | |
| | <u>42,964</u> | <u>39,206</u> | <u>3,758</u> |
| TOTAL township board | | | |
| SUPERVISOR | | | |
| Salary | | 33,302 | |
| Meetings and seminars | | 877 | |
| Miscellaneous | | 33 | |
| | <u>35,303</u> | <u>34,212</u> | <u>1,091</u> |
| TOTAL supervisor | | | |
| PUBLIC WORKS | | | |
| | <u>6,769</u> | <u>8,094</u> | <u>(1,325)</u> |
| ELECTIONS | | | |
| Supplies | | 956 | |
| Postage | | 881 | |
| Mileage | | 112 | |
| | <u>2,625</u> | <u>1,949</u> | <u>676</u> |
| TOTAL elections | | | |
| PROFESSIONAL FEES | | | |
| Audit fees | | 7,500 | |
| Accounting services | | 625 | |
| Software support | | 2,210 | |
| | <u>11,750</u> | <u>10,335</u> | <u>1,415</u> |
| TOTAL professional fees | | | |
| ASSESSOR | | | |
| Salaries | | 89,099 | |
| Professional fees | | 1,126 | |
| Dues and memberships | | 896 | |
| Training and seminars | | 600 | |
| Supplies | | 599 | |
| Mileage | | 533 | |
| Miscellaneous | | 310 | |
| Postage | | 1,975 | |
| | <u>97,647</u> | <u>95,138</u> | <u>2,509</u> |
| TOTAL assessor | | | |

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED JUNE 30, 2010

| | Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------------|--------|--------|--|
| LEGAL | | | |
| Attorneys | | 28,318 | |
| Other services | | 750 | |
| Total legal | 30,450 | 29,068 | 1,382 |
| CLERK | | | |
| Salaries | | 58,769 | |
| Mileage | | 424 | |
| Training, seminars and dues | | 1,961 | |
| Supplies | | 114 | |
| Total clerk | 62,212 | 61,268 | 944 |
| BOARD OF REVIEW | | | |
| Salaries | | 3,150 | |
| Supplies and publications | | 392 | |
| Total board of review | 4,950 | 3,542 | 1,408 |
| TREASURER | | | |
| Salaries | | 64,907 | |
| Supplies | | 241 | |
| Mileage | | 982 | |
| Miscellaneous | | 100 | |
| Training | | 724 | |
| Total treasurer | 69,153 | 66,954 | 2,199 |

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|----------------|----------------|---|
| UNALLOCATED | | | |
| Salaries - secretary | | 21,813 | |
| Custodial | | 2,600 | |
| Payroll taxes | | 27,009 | |
| Advance to flexible medical savings fund | | 12,705 | |
| Insurance - health | | 134,842 | |
| Insurance - general | | 46,401 | |
| Pension | | 26,326 | |
| Pension - administration | | 5,114 | |
| Trash removal | | 412 | |
| Supplies | | 5,205 | |
| Equipment - maintenance | | 4,226 | |
| Postage | | 3,642 | |
| Grounds maintenance | | 6,405 | |
| Buildings maintenance | | 5,998 | |
| Telephone | | 4,116 | |
| Utilities | | 7,161 | |
| Internet | | 99 | |
| Tax roll preparation | | 7,207 | |
| Payroll processing | | 2,532 | |
| Escrow losses | | 3,227 | |
| Taxes - acquired property | | 471 | |
| Miscellaneous | | 141 | |
| | | <u>141</u> | |
| Total unallocated | <u>317,828</u> | <u>327,652</u> | <u>(9,824)</u> |
| ZONING ADMINISTRATOR | | | |
| Salary | | 40,143 | |
| Legal fees | | 1,393 | |
| Miscellaneous | | 150 | |
| Mileage | | 523 | |
| Supplies | | 90 | |
| Training | | 635 | |
| | | <u>635</u> | |
| Total zoning administrator | <u>49,382</u> | <u>42,934</u> | <u>6,448</u> |
| CEMETERY | | | |
| Salaries | <u>7,500</u> | <u>6,000</u> | <u>1,500</u> |
| PLANNING COMMISSION | | | |
| Salaries | | 5,684 | |
| Consultant | | 4,762 | |
| Legal fees | | 970 | |
| Training | | 430 | |
| Printing and publications | | 240 | |
| Supplies | | 30 | |
| | | <u>30</u> | |
| Total planning commission | <u>29,850</u> | <u>12,116</u> | <u>17,734</u> |

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---------------------------------------|---------------------|-------------------|---|
| ZONING BOARD OF APPEALS | | | |
| Salaries | | 1,139 | |
| Miscellaneous | | 540 | |
| Printing and publications | | 350 | |
| Total zoning board of appeals | <u>8,950</u> | <u>2,029</u> | <u>6,921</u> |
| DRAINS | <u>10,000</u> | <u>4,244</u> | <u>5,756</u> |
| ROADS | | | |
| Road maintenance | | 11,014 | |
| Dust control | | 29,062 | |
| Total roads | <u>72,000</u> | <u>40,076</u> | <u>31,924</u> |
| RECREATION | | | |
| Salary | | 450 | |
| HAPRA contract | | 61,925 | |
| Total recreation department | <u>62,825</u> | <u>62,375</u> | <u>450</u> |
| HERITAGE DAYS | | | |
| Supplies | | 577 | |
| Seed money | | 5,006 | |
| Total Heritage Days | <u>7,350</u> | <u>5,583</u> | <u>1,767</u> |
| BUILDING IMPROVEMENT | | | |
| Capital outlay - equipment | | 23,563 | |
| Debt service - principal and interest | | 21,349 | |
| Total building improvement | <u>67,000</u> | <u>44,912</u> | <u>22,088</u> |
| CONTINGENCY | <u>10,000</u> | | <u>10,000</u> |
| Total expenditures | <u>\$ 1,006,508</u> | <u>\$ 897,687</u> | <u>\$ 108,821</u> |

CEMETERY
FUND

MARION TOWNSHIP
CEMETERY FUND
BALANCE SHEET
JUNE 30, 2010

ASSETS

ASSETS
Cash

\$ 7,453

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable
Due to other funds

\$ 902
23

Total liabilities

\$ 925

FUND BALANCE

6,528

Total liabilities and fund balance

\$ 7,453

MARION TOWNSHIP
CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--|-----------|----------|--|
| REVENUES | | | |
| Service charges | \$ | \$ 3,000 | \$ |
| Interest | | 51 | |
| Other income | | 2 | |
| | | | |
| Total revenues | 4,100 | 3,053 | (1,047) |
| EXPENDITURES | | | |
| Maintenance | 7,300 | 8,476 | (1,176) |
| | | | |
| Excess (deficiency) of revenues over (under) expenditures | (3,200) | (5,423) | (2,223) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 7,500 | | (7,500) |
| | | | |
| Net change in fund balance | 4,300 | (5,423) | (9,723) |
| FUND BALANCE, JULY 1, 2009 | 11,951 | 11,951 | |
| | | | |
| FUND BALANCE, JUNE 30, 2010 | \$ 16,251 | \$ 6,528 | \$ (9,723) |

RECREATION
FUND

MARION TOWNSHIP
RECREATION FUND
BALANCE SHEET
JUNE 30, 2010

ASSETS

| | | |
|-----------------|--|------------|
| ASSETS | | |
| Cash | | \$ 103,889 |
| Due from others | | 442 |
| | | <hr/> |
| Total assets | | \$ 104,331 |
| | | <hr/> |

LIABILITIES AND FUND BALANCE

| | | |
|------------------------------------|--------|------------|
| LIABILITIES | | |
| Accounts payable | \$ 630 | |
| Due to other funds | 63 | |
| | <hr/> | |
| Total liabilities | | \$ 693 |
| FUND BALANCE | | <hr/> |
| | | 103,638 |
| | | <hr/> |
| Total liabilities and fund balance | | \$ 104,331 |
| | | <hr/> |

MARION TOWNSHIP
RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--|------------|------------|--|
| REVENUES | | | |
| Donations | \$ | \$ 2,035 | \$ |
| Interest income | | 599 | |
| | 1,000 | 2,634 | 1,634 |
| EXPENDITURES | | | |
| Buck pole | | 186 | |
| Capital outlay | | 33,705 | |
| Utilities | | 408 | |
| Maintenance | | 10,233 | |
| Miscellaneous | | 161 | |
| | 26,000 | 44,693 | (18,693) |
| Excess (deficiency) of revenues over (under) expenditures | (25,000) | (42,059) | (17,059) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 25,000 | 25,000 | |
| Net change in fund balance | | (17,059) | (17,059) |
| FUND BALANCE, JULY 1, 2009 | 120,697 | 120,697 | |
| FUND BALANCE, JUNE 30, 2010 | \$ 120,697 | \$ 103,638 | \$ (17,059) |

WATER SYSTEM
ASSESSMENT
FUND

MARION TOWNSHIP
WATER SYSTEM ASSESSMENT FUND
BALANCE SHEET
JUNE 30, 2010

ASSETS

ASSETS

| | | |
|--|----|-------------------------|
| Cash | \$ | 867,527 |
| Special assessments and mortgage receivable, net | | 1,259,549 |
| Accrued interest receivable | | 917 |
| Note receivable - water new user | | 1,050,000 |
| Due from other funds | | <u>41,706</u> |
| Total assets | \$ | <u><u>3,219,699</u></u> |

LIABILITIES AND FUND BALANCE

LIABILITIES

| | | |
|--|----|--------------|
| Deferred revenue - special assessments and mortgage receivable | \$ | 1,259,549 |
| Deferred revenue - water new user | | 1,050,000 |
| Due to other funds | | <u>2,804</u> |

Total liabilities \$ 2,312,353

FUND BALANCE

907,346

Total liabilities and fund balance \$ 3,219,699

MARION TOWNSHIP
WATER SYSTEM ASSESSMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---------------------------------|--------------------------|--------------------------|---|
| REVENUES | | | |
| Special assessments - principal | \$ | \$ 254,057 | \$ |
| Special assessments - interest | | 106,026 | |
| Interest income | | 5,909 | |
| | | <u> </u> | <u> </u> |
| Total revenues | <u>367,194</u> | <u>365,992</u> | <u>(1,202)</u> |
| EXPENDITURES | | | |
| Debt - principal | | 303,657 | |
| Debt - interest | | 89,480 | |
| Agent fees | | 381 | |
| Professional fees | | 1,800 | |
| | | <u> </u> | <u> </u> |
| Total expenditures | <u>398,036</u> | <u>395,318</u> | <u>2,718</u> |
| Net change in fund balance | (30,842) | (29,326) | 1,516 |
| FUND BALANCE, JULY 1, 2009 | <u>936,672</u> | <u>936,672</u> | <u> </u> |
| FUND BALANCE, JUNE 30, 2010 | <u><u>\$ 905,830</u></u> | <u><u>\$ 907,346</u></u> | <u><u>\$ 1,516</u></u> |

PRIVATE ROAD
FUND

MARION TOWNSHIP
PRIVATE ROAD FUND
BALANCE SHEET
JUNE 30, 2010

ASSETS

ASSETS

| | | |
|-----------------------|----|----------------|
| Cash | \$ | 39,823 |
| Assessment receivable | | <u>127,933</u> |
| Total assets | \$ | <u>167,756</u> |

LIABILITIES AND FUND BALANCE

LIABILITIES

| | | |
|-------------------|----|----------------|
| Accounts payable | \$ | 15,392 |
| Deferred revenue | | <u>127,933</u> |
| Total liabilities | \$ | 143,325 |

FUND BALANCE

| | | |
|------------------------------------|----|----------------|
| | | <u>24,431</u> |
| Total liabilities and fund balance | \$ | <u>167,756</u> |

MARION TOWNSHIP
PRIVATE ROAD FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|------------------|------------------|---|
| REVENUES | | | |
| Special assessments | \$ | \$ 56,480 | \$ |
| Interest income | | 169 | |
| | <u>23,754</u> | <u>56,649</u> | <u>32,895</u> |
| EXPENDITURES | | | |
| Project costs | 15,000 | 87,045 | (72,045) |
| Publications | | 1,320 | (1,320) |
| | <u>15,000</u> | <u>88,365</u> | <u>(73,365)</u> |
| Excess (deficiency) of revenues over (under) expenditures | 8,754 | (31,716) | (40,470) |
| OTHER FINANCING SOURCES | | | |
| Transfer in | <u>15,000</u> | <u>37,326</u> | <u>22,326</u> |
| Change in fund balance | 23,754 | 5,610 | (18,144) |
| FUND BALANCE, JULY 1, 2009 | <u>18,821</u> | <u>18,821</u> | |
| FUND BALANCE, JUNE 30, 2010 | <u>\$ 42,575</u> | <u>\$ 24,431</u> | <u>\$ (18,144)</u> |

WATER
NEW USER
FUND

MARION TOWNSHIP
WATER NEW USER FUND
BALANCE SHEET
JUNE 30, 2010

ASSETS

ASSETS

| | | |
|--|----|--------------------------------|
| Cash | \$ | 579,453 |
| Special assessments receivable - unbonded, net | | 546,821 |
| Due from other funds | | <u>208,031</u> |
| Total assets | | <u><u>\$ 1,334,305</u></u> |

LIABILITIES AND FUND BALANCE

LIABILITIES

| | | |
|--------------------------------|----|----------------|
| Accounts payable | \$ | 63 |
| Deferred revenue - unbonded | | 546,821 |
| Due to other funds | | 44,191 |
| Accrued chargeback from county | | <u>86,954</u> |
| Total liabilities | | \$ 678,029 |

FUND BALANCE

| | | |
|------------------------------------|--|--------------------------------|
| Total liabilities and fund balance | | <u><u>656,276</u></u> |
| | | <u><u>\$ 1,334,305</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, 2010

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|-----------------------------|--------------------------|--------------------------|---|
| REVENUES | | | |
| Special assessments | \$ | \$ 131,161 | \$ |
| Connection fees | | 24,796 | |
| Interest income | | 2,301 | |
| | <u>130,000</u> | <u>158,258</u> | <u>28,258</u> |
| EXPENDITURES | | | |
| Administration fees | | 2,485 | |
| Professional fees | | 1,809 | |
| Land acquisition | | 18,761 | |
| | <u>1,500</u> | <u>23,055</u> | <u>(21,555)</u> |
| Net change in fund balance | 128,500 | 135,203 | 6,703 |
| FUND BALANCE, JULY 1, 2009 | <u>521,073</u> | <u>521,073</u> | |
| FUND BALANCE, JUNE 30, 2010 | <u><u>\$ 649,573</u></u> | <u><u>\$ 656,276</u></u> | <u><u>\$ 6,703</u></u> |

SEWER
FUND

MARION TOWNSHIP
SEWER FUND
STATEMENT OF REVENUES AND EXPENSES FOR OPERATIONS ONLY
FOR THE YEARS ENDED JUNE 30, 2002 - 2010

| | <u>6/30/2010</u> | <u>6/30/2009</u> | <u>6/30/2008</u> |
|--|--------------------|--------------------|-------------------|
| REVENUE | | | |
| User charges - quarterly charges for usage | <u>\$ 173,243</u> | <u>\$ 190,260</u> | <u>\$ 196,837</u> |
| EXPENSES | | | |
| Contract labor | 45,984 | 51,565 | 37,908 |
| Sewer usage fee | 85,001 | 131,523 | 93,033 |
| Utilities | 9,263 | 7,838 | 7,558 |
| Telephone | 3,420 | 3,195 | 2,978 |
| Administrative fees - | | | |
| Reimbursement to general fund | 2,485 | 2,557 | 3,403 |
| Billing administrative (Genoa Twp.) | 14,272 | 14,072 | 13,713 |
| Professional fees | 25,969 | 30,662 | 36,037 |
| Repairs and maintenance | 48,366 | 6,721 | 1,591 |
| Miscellaneous | <u> </u> | <u>650</u> | <u>1,513</u> |
| Total expenses | <u>234,760</u> | <u>248,783</u> | <u>197,734</u> |
| Net operating (loss) | <u>\$ (61,517)</u> | <u>\$ (58,523)</u> | <u>\$ (897)</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>6/30/2007</u> | <u>6/30/2006</u> | <u>6/30/2005</u> | <u>6/30/2004</u> | <u>6/30/2003</u> | <u>6/30/2002</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <u>\$ 155,289</u> | <u>\$ 150,605</u> | <u>\$ 119,196</u> | <u>\$ 82,997</u> | <u>\$ 51,546</u> | <u>\$ 26,503</u> |
| 36,824 | 38,704 | 34,872 | 34,176 | 29,014 | 21,468 |
| 76,836 | 79,656 | 77,136 | 76,128 | 67,525 | 64,962 |
| 6,813 | 7,131 | 5,156 | 4,715 | 4,845 | 4,350 |
| 3,055 | 2,873 | 2,781 | 2,789 | 2,785 | 2,751 |
| 4,656 | 6,281 | 6,253 | 8,059 | 10,947 | 2,615 |
| 17,551 | 16,360 | 11,457 | 12,134 | 5,745 | 2,935 |
| 59,383 | 25,628 | 11,532 | 5,485 | 1,560 | 3,500 |
| 1,246 | 2,676 | 33,819 | 14,109 | | |
| <u>206,364</u> | <u>179,309</u> | <u>183,006</u> | <u>157,595</u> | <u>122,421</u> | <u>102,581</u> |
| <u>\$ (51,075)</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, 2010

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|---|-----------------------------|--------------------------|--|
| REVENUES | | | |
| User charges | \$ 160,000 | \$ 173,243 | \$ 13,243 |
| Interest income - assessments | 500,000 | 511,732 | 11,732 |
| Interest income - bank | 25,000 | 34,686 | 9,686 |
| Connection fees | <u> </u> | <u>3,750</u> | <u>3,750</u> |
| Total revenues | <u>685,000</u> | <u>723,411</u> | <u>38,411</u> |
| EXPENSES | | | |
| Amortization - bond issuance costs | | 67,592 | (67,592) |
| Debt-interest expense | 425,145 | 425,145 | |
| Maintenance of system (contract labor) | 50,000 | 45,984 | 4,016 |
| Administrative fees - billing admin. | 16,000 | 14,272 | 1,728 |
| Professional fees | 14,500 | 25,969 | (11,469) |
| Administrative fees - reimbursement to general fund | 11,045 | 2,485 | 8,560 |
| Agent fees | 500 | 225 | 275 |
| Repairs and maintenance | 7,000 | 48,366 | (41,366) |
| Utilities | 8,500 | 9,263 | (763) |
| Sewer usage | 110,000 | 85,001 | 24,999 |
| Depreciation | 760,000 | 693,290 | 66,710 |
| Telephone | 4,500 | 3,420 | 1,080 |
| Provision for uncollectable assessments receivable | <u> </u> | <u>12,764</u> | <u>(12,764)</u> |
| Total expenses | <u>1,407,190</u> | <u>1,433,776</u> | <u>(26,586)</u> |
| Net change in net assets | (722,190) | (710,365) | 11,825 |
| BEGINNING NET ASSETS | <u>21,843,412</u> | <u>21,843,412</u> | |
| ENDING NET ASSETS | <u>\$ 21,121,222</u> | <u>\$ 21,133,047</u> | <u>\$ 11,825</u> |

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

MARION TOWNSHIP
SEWER FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

| | Retained Earnings Reserved | Retained Earnings (Deficit) Unreserved | Total |
|--|----------------------------------|---|----------------------|
| BALANCES, JULY 1, 2009 | \$ 22,247,302 | \$ (403,890) | \$ 21,843,412 |
| Operating (loss) excluding depreciation expense | | (61,517) | (61,517) |
| Connection fees | 3,750 | | 3,750 |
| Depreciation (expense) | (693,290) | | (693,290) |
| Interest income | 546,418 | | 546,418 |
| Interest (expense) - debt | (425,145) | | (425,145) |
| Agent (fees) - debt | (225) | | (225) |
| Amortization - bond issuance costs | (67,592) | | (67,592) |
| Provision for uncollectable assessments receivable | (12,764) | | (12,764) |
| BALANCES, JUNE 30, 2010 | <u>\$ 21,598,454</u> | <u>\$ (465,407)</u> | <u>\$ 21,133,047</u> |

CURRENT
TAX
FUND

MARION TOWNSHIP
CURRENT TAX FUND
BALANCE SHEET
JUNE 30, 2010

| <u>ASSETS</u> | | |
|------------------------|--|---------------|
| ASSETS | | |
| Cash | | \$ <u>931</u> |
| <u>LIABILITIES</u> | | |
| LIABILITIES | | |
| Due to other funds | | \$ 20 |
| Due to others | | <u>911</u> |
| Total liabilities | | <u>\$ 931</u> |

ESCROW
FUND

MARION TOWNSHIP
ESCROW FUND
BALANCE SHEET
JUNE 30, 2010

ASSETS

ASSETS

| | | |
|----------------------|----|---------------|
| Cash | \$ | 17,892 |
| Due from other funds | | <u>28,471</u> |
| Total assets | \$ | <u>46,363</u> |

LIABILITIES

LIABILITIES

| | | |
|--------------------|----|---------------|
| Due to others | \$ | 18,055 |
| Due to other funds | | <u>28,308</u> |
| Total liabilities | \$ | <u>46,363</u> |

FLEXIBLE MEDICAL SAVINGS
FUND

MARION TOWNSHIP
FLEXIBLE MEDICAL SAVINGS FUND
BALANCE SHEET
JUNE 30, 2010

| <u>ASSETS</u> | | |
|------------------------|--|-----------------|
| ASSETS | | |
| Cash | | \$ <u>2,814</u> |
| <u>LIABILITIES</u> | | |
| LIABILITIES | | |
| Due to others | | \$ <u>2,814</u> |



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
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September 14, 2010

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, 2010, 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 deficiencies in Marion Township's internal control to be material weaknesses:

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.

Response by Management

We have discussed with management at great length the establishment of control over the financial reporting process. Management believes the benefit of hiring additional personnel with the qualified experience to draft the financial statements does not outweigh the costs. Management has decided to maintain the current practice of requesting the auditing firm to draft the financial statements.

Segregation of Duties: The Township has one individual responsible for maintaining the general ledger, writing and posting checks and signing checks (ability to make disbursements). We consider this a lack of segregating duties. The Township does have an individual outside of the accounting process (treasurer) who reconciles the bank accounts which we consider a method of increasing controls in this area. The Township has also adopted a policy which requires two signatures on all checks which also strengthens controls in this area.

Response by Management

We have discussed the issue of lack of segregation of duties with management. Management believes because of the size of the Township, complete segregation of duties can not be done without significant additional costs. Therefore, management has decided to maintain the current practice.

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:

1. Disbursements - Two Signature Requirement

We reviewed several months of cleared checks to test the Township's adherence to its policy of two signatures on each check. We noted several check's which only had one signature. These checks were written on the Health Savings Account. In the future management should verify all checks have two signatures by establishing a standard procedure.

2. Escrow Fund and Unreconciled Balances

We noted several escrow accounts within the escrow fund had no activity for several years and there was not any reconciliation as to what the outcome of the balances should be. We worked with management to resolve the outstanding balances. The process of reconciling each escrow account and determining the related outcome (i.e., send balance back to payer, reimburse deficit balances with general fund monies, contact the entity that created the escrow for reimbursement, etc.) should be done on a monthly basis.

3. Conflict of Interest and Purchasing Policies

We noted the Township does not have a conflict of interest policy for its employees and Board members. We suggest the Township adopt such a policy for better controls surrounding unique circumstances.

We also suggest a purchasing policy be adopted which states purchase amounts which can be authorized by management prior to Board approval.

4. 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 and continue to perform a cash flow analysis 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