

MARION TOWNSHIP

Report on Audit of Financial Statements

For the Year Ended June 30, 2017

MARION TOWNSHIP

TOWNSHIP OFFICIALS

Supervisor - Robert Hanvey
Clerk - Tammy Beal
Treasurer – Duane Stokes

BOARD OF TRUSTEES

Robert Hanvey
Tammy Beal
Duane Stokes
Gregory Durbin
Daniel Lowe
Scott Lloyd
Les Andersen

TOWNSHIP ATTORNEYS

Michael J. Kehoe, P.C.

TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

November 13, 2017

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

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, Michigan, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Marion Township, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion Township Michigan, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 - 12 and 42 - 44 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 inquiries 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.

Other information

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

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA

Certified Public Accountants

Brighton, MI

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis June 30, 2017

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, 2017. 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 Position. This is the Township-wide statement of position presenting information that includes all the Township's assets, deferred outflows of resources, deferred inflows of resources, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position 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 position 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 position.

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 position at the end of the fiscal year was \$33,731,303. This is a \$346,426 decrease over last year's net position of \$34,077,729.

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

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

	Governmental Activities		Business-type Activities		Total	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
ASSETS						
Current and other assets	\$ 14,830,802	\$ 14,504,813	\$ 4,230,492	\$ 4,272,311	\$ 19,061,294	\$ 18,777,124
Capital assets	1,123,355	1,125,433	13,700,288	14,340,650	14,823,643	15,466,083
Total assets	<u>15,954,157</u>	<u>15,630,246</u>	<u>17,930,780</u>	<u>18,612,961</u>	<u>33,884,937</u>	<u>34,243,207</u>
LIABILITIES						
Other liabilities	<u>92,499</u>	<u>143,273</u>	<u>61,135</u>	<u>21,755</u>	<u>153,634</u>	<u>165,028</u>
NET POSITION						
Invested in capital assets	1,123,355	1,125,433	13,700,288	14,340,650	14,823,643	15,466,083
Unrestricted	14,738,303	14,001,491	4,169,357	2,327,154	18,907,660	16,328,645
Restricted	<u>359,599</u>	<u>359,599</u>	<u>1,923,402</u>	<u>1,923,402</u>	<u>2,283,001</u>	<u>2,283,001</u>
Total net position	<u>\$ 15,861,658</u>	<u>\$ 15,486,523</u>	<u>\$ 17,869,645</u>	<u>\$ 18,591,206</u>	<u>\$ 33,731,303</u>	<u>\$ 34,077,729</u>

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

	Governmental Activities		Business-type Activities		Total	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
REVENUES						
Program revenues:						
Charges for services	\$ 299,126	\$ 272,986	\$ 288,605	\$ 264,297	\$ 587,731	\$ 537,283
Operating grants and contributions			43,527		43,527	
Capital contributions	7,219	11,585	33,750	15,750	40,969	27,335
General revenues:						
State revenues	845,222	777,741			845,222	777,741
Property taxes	460,028	331,314			460,028	331,314
Interest income	83,583	91,485	84,462	125,065		216,550
Other	29,725	106,434	842		30,567	106,434
Rental income	59,322				59,322	
Gain (loss) on sale of capital assets		(74)				(74)
Transfers		(1,346,616)		1,346,616		
Change in equity of joint ventures	60,153	59,427			60,153	59,427
Total revenues	<u>1,844,378</u>	<u>304,282</u>	<u>451,186</u>	<u>1,751,728</u>	<u>2,127,519</u>	<u>2,056,010</u>
EXPENSES						
General government	902,285	895,325			902,285	895,325
Parks and recreation	122,300	142,906			122,300	142,906
Public works	444,658	910,567			444,658	910,567
Interest on long-term debt		9,961				9,961
Sewer system			1,172,747	1,189,563	1,172,747	1,189,563
Total expenses	<u>1,469,243</u>	<u>1,958,759</u>	<u>1,172,747</u>	<u>1,189,563</u>	<u>2,641,990</u>	<u>3,148,322</u>
Change in net position	375,135	(1,654,477)	(721,561)	562,165	(346,426)	(1,092,312)
BEGINNING NET POSITION	<u>15,486,523</u>	<u>17,141,000</u>	<u>18,591,206</u>	<u>18,029,041</u>	<u>34,077,729</u>	<u>35,170,041</u>
ENDING NET POSITION	<u>\$ 15,861,658</u>	<u>\$ 15,486,523</u>	<u>\$ 17,869,645</u>	<u>\$ 18,591,206</u>	<u>\$ 33,731,303</u>	<u>\$ 34,077,729</u>

The governmental activity net position increased by \$375,135, mostly due to a decrease in road expenditures within the general fund activities.

The business-type activity expenditures exceeded revenues for a net loss of \$721,561 for the year ended June 30, 2017. This is primarily due to depreciation expense, which is an estimate based on management's calculation of estimated useful lives for infrastructure.

Financial Analysis of the Township's Funds

The Township had four major funds for the year ended June 30, 2017. Three of the four major funds were governmental funds which included: the General Fund, the Assessment Revolving Project Fund, and the Water New User Fund. The sole business-type fund was the Sewer Fund.

The General Fund had revenues over expenditures totaling \$237,184, primarily due to a decrease in public works road expenditures.

The Assessment Revolving Project Fund had expenditures exceeding revenues for a decrease in fund balance of \$31,746. This fund accounts for the collection of special assessments and road repair expenditures for various districts.

The Water New User Fund had an increase in its fund balance of \$98,517. This fund accounts for the collection of connection fees and special assessments related to the Township's participation in the Marion Howell Oceola Genoa (MHOG) Water Authority. All debt related to the MHOG Water System, which was the responsibility of Marion Township, has been extinguished.

The Township's sole business-type fund, the Sewer Fund, had a net decrease in its equity of \$721,561, as explained above.

Budgetary Highlights

The Township adopted its General Fund budget prior to beginning operations for the year ended June 30, 2017. The budget was amended during the fiscal year to bring it 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 activities acquired \$29,591 in land acquisition related costs during the year, as well as \$6,770 in equipment purchases.

The business-type activities acquired \$30,492 in land acquisition related costs.

The Township has no outstanding debt as of June 30, 2017.

Economic Conditions and Future Activities

The Township continues to conduct several place-making events during the year. The ninth annual Marion Heritage Days event was held in June and was a great success with several thousand attendees. Other events included a Halloween "Trunk or Treat," Annual Buck Pole contest, and several community sales. The Township received many compliments on these events.

The Township has noticed an improvement in commercial and residential land development, which could lead to an increase in property tax values and subsequent property tax revenues in future years. Completion dates for the proposed developments are not available at this time.

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 POSITION
JUNE 30, 2017**

ASSETS	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<u>ASSETS</u>			
Cash and investments	\$ 2,802,352	\$ 3,448,375	\$ 6,250,727
Receivables:			
State shared revenues	272,512		272,512
Accounts	15,539	150,017	165,556
Special assessments, net	312,285	615,771	928,056
Interfund balances	(15,702)	15,702	
Prepaid expenses	43,779		43,779
Investment in joint ventures	11,383,866		11,383,866
Capital assets			
Land	432,260	854,632	1,286,892
Other capital assets, net of depreciation	691,095	12,845,656	13,536,751
Total assets	15,937,986	17,930,153	33,868,139
<u>LIABILITIES</u>			
LIABILITIES			
Accounts payable	29,450	60,508	89,958
Accrued liabilities	42,911		42,911
Unearned revenue	3,967		3,967
Total liabilities	76,328	60,508	136,836
<u>NET POSITION</u>			
NET POSITION			
Invested in capital assets	1,123,355	13,700,288	14,823,643
Restricted for:			
Road construction and maintenance	141,142		141,142
Capital projects	285,228		285,228
Unrestricted	14,311,933	4,169,357	18,481,290
Total net position	\$ 15,861,658	\$ 17,869,645	\$ 33,731,303

The notes are an integral part of the financial statements.

MARION TOWNSHIP

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue (Expenses) and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Contributions</u>	<u>Capital Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES							
General government	\$ (902,285)	\$ 146,126	\$	\$	\$ (756,159)	\$	\$ (756,159)
Parks and recreation/ community development	(122,300)				(122,300)		(122,300)
Public works	(444,658)	153,000		7,219	(284,439)		(284,439)
Total governmental activities	<u>(1,469,243)</u>	<u>299,126</u>		<u>7,219</u>	<u>(1,162,898)</u>		<u>(1,162,898)</u>
BUSINESS-TYPE ACTIVITY							
Sewer system	(1,172,747)	288,605		33,750		(850,392)	(850,392)
Total	<u>\$ (2,641,990)</u>	<u>\$ 587,731</u>	<u>\$</u>	<u>\$ 40,969</u>	<u>(1,162,898)</u>	<u>(850,392)</u>	<u>(2,013,290)</u>
		General revenues					
					460,028		460,028
					845,222		845,222
						43,527	43,527
					79,166	80,201	159,367
					4,417	4,261	8,678
					59,322		59,322
					29,725	842	30,567
					<u>1,477,880</u>	<u>128,831</u>	<u>1,606,711</u>
		Other Items					
					60,153		60,153
					375,135	(721,561)	(346,426)
					<u>15,486,523</u>	<u>18,591,206</u>	<u>34,077,729</u>
					<u>\$ 15,861,658</u>	<u>\$ 17,869,645</u>	<u>\$ 33,731,303</u>

The notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

MARION TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>Major Funds</u>			<u>Nonmajor Fund</u>	
	<u>General Fund</u>	<u>Assessment Revolving Project Fund</u>	<u>Water New User Fund</u>	<u>Cemetery Fund</u>	<u>Total</u>
ASSETS					
Cash and investments	\$ 2,324,245	\$ 145,358	\$ 320,023	\$ 12,726	\$ 2,802,352
Receivables					
Special assessments, net		188,205	124,080		312,285
State shared revenues	272,512				272,512
Accounts receivable - other	920				920
Due from other funds	15,715				15,715
Prepaid expenditures	43,779				43,779
	<u>43,779</u>				<u>43,779</u>
Total assets	<u>\$ 2,657,171</u>	<u>\$ 333,563</u>	<u>\$ 444,103</u>	<u>\$ 12,726</u>	<u>\$ 3,447,563</u>
LIABILITIES					
Accounts payable	\$ 7,237	\$ 4,216			\$ 11,453
Accrued wages and pension	40,051				40,051
Unearned revenue	3,967				3,967
Due to others			17,997		17,997
Due to other funds			16,798		16,798
	<u>51,255</u>	<u>4,216</u>	<u>34,795</u>		<u>90,266</u>
Total liabilities	<u>51,255</u>	<u>4,216</u>	<u>34,795</u>		<u>90,266</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue		188,205	124,080		312,285
		<u>188,205</u>	<u>124,080</u>		<u>312,285</u>
FUND BALANCES					
Non-spendable:					
Prepaid expenditures	43,779				43,779
Restricted for:					
Private roads		141,142			141,142
Capital projects			285,228		285,228
Committed to:					
Cemetery				12,726	12,726
Capital improvement	6,625				6,625
Community events	3,129				3,129
Assigned to future budget deficits	577,706				577,706
Unassigned	1,974,677				1,974,677
	<u>1,974,677</u>				<u>1,974,677</u>
Total fund balances	<u>2,605,916</u>	<u>141,142</u>	<u>285,228</u>	<u>12,726</u>	<u>3,045,012</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,657,171</u>	<u>\$ 333,563</u>	<u>\$ 444,103</u>	<u>\$ 12,726</u>	<u>\$ 3,447,563</u>

The notes are an integral part of the financial statements.

MARION TOWNSHIP

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balance per balance sheet		\$ 3,045,012
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Historical cost	\$ 1,872,546	
Depreciation	<u>(749,191)</u>	
Capital assets net of depreciation		1,123,355
Equity interests in joint ventures are not financial resources and therefore not reported in the funds		
Equity in joint ventures		11,383,866
Accrued sick and vacation is not included as a liability in the governmental funds		
		(2,860)
Unavailable revenues on special assessments are recognized as revenue in the government-wide statements when originally assessed.		
Unavailable income		<u>312,285</u>
Net position of governmental activities		<u><u>\$ 15,861,658</u></u>

The notes are an integral part of the financial statements.

MARION TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Major Funds</u>			<u>Nonmajor Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>Assessment Revolving Project Fund</u>	<u>Water New User Fund</u>	<u>Cemetery Fund</u>	
REVENUES					
Taxes	\$ 460,028	\$	\$	\$	\$ 460,028
Special assessment - Principal		105,333	104,265		209,598
Special assessment - Interest		1,148	22,855		24,003
State revenues	845,222				845,222
Licenses and permits	146,126				146,126
Connection fees			7,219		7,219
Rental income	59,322				59,322
Charges for services				3,000	3,000
Interest	4,036		381		4,417
Miscellaneous	29,504		221		29,725
Total revenues	<u>1,544,238</u>	<u>106,481</u>	<u>134,941</u>	<u>3,000</u>	<u>1,788,660</u>
EXPENDITURES					
Current:					
General government	866,473				866,473
Parks and recreation	122,300				122,300
Public works	311,511	138,227	6,833	10,270	466,841
Capital outlay					
General government	6,770				6,770
Public works			29,591		29,591
Total expenditures	<u>1,307,054</u>	<u>138,227</u>	<u>36,424</u>	<u>10,270</u>	<u>1,491,975</u>
Net changes in fund balances	237,184	(31,746)	98,517	(7,270)	296,685
FUND BALANCE, JULY 1, 2016	<u>2,368,732</u>	<u>172,888</u>	<u>186,711</u>	<u>19,996</u>	<u>2,748,327</u>
FUND BALANCE, JUNE 30, 2017	<u>\$ 2,605,916</u>	<u>\$ 141,142</u>	<u>\$ 285,228</u>	<u>\$ 12,726</u>	<u>\$ 3,045,012</u>

The notes are an integral part of the financial statements.

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, 2017**

Net change in fund balances - governmental funds \$ 296,685

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

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 outlay is as follows:

Capital assets purchased	\$ 36,361	
Depreciation expense	(38,439)	
Net effect of capital assets		(2,078)

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	(154,435)	
Adjustments to assessments	22,183	
Assessments levied	150,000	
Net effect of assessments		17,748

Accrued sick and vacation is not included as an expenditure in the governmental funds. 2,627

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. 60,153

Change in net position of governmental activities **\$ 375,135**

MARION TOWNSHIP

**STATEMENT OF NET POSITION
 PROPRIETARY - SEWER FUND
 JUNE 30, 2017**

CURRENT ASSETS

Cash and cash equivalents	\$ 2,759,760	
Investments	688,615	
Accounts receivable - usage	106,490	
Grants receivable	43,527	
Due from other funds	<u>16,329</u>	
Total current assets		\$ 3,614,721

PROPERTY, PLANT AND EQUIPMENT

Sewer collection system	14,115,473	
Sewer plant	9,795,116	
Computers, equipment, software	134,102	
Land	<u>854,632</u>	
	24,899,323	
Less: accumulated depreciation	<u>(11,199,035)</u>	
Net property, plant and equipment		13,700,288

RESTRICTED ASSETS

Special assessments receivable		
Bonded	602,271	
Unbonded	<u>13,500</u>	
Total restricted assets		<u>615,771</u>
Total assets		<u>\$ 17,930,780</u>

CURRENT LIABILITIES

Accounts payable	\$ 60,508	
Due to other funds	<u>627</u>	
Total liabilities		\$ 61,135

NET POSITION

Invested in capital assets net of related debt	13,700,288	
Unreserved	<u>4,169,357</u>	
Total net position		<u>17,869,645</u>
Total liabilities and net position		<u>\$ 17,930,780</u>

The notes are an integral part of the financial statements.

MARION TOWNSHIP

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY - SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2017**

OPERATING REVENUES

User charges		\$ 289,447
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OPERATING EXPENSES

Contract labor	\$ 25,544	
Sewer usage fee	178,739	
Depreciation expense	670,854	
Utilities	9,749	
Telephone	7,158	
Professional fees	45,999	
Administrative fees - billing administration Genoa Township	19,877	
Repairs and maintenance	33,937	

Total operating expenses		<u>991,857</u>
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Operating (loss)		(702,410)
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NON-OPERATING REVENUES AND (EXPENSES)

Interest income - assessments	80,201	
Interest income - cash and investments	4,261	
Grant income	43,527	
Grant expenditures	(48,363)	
Uncollectable assessments	(132,527)	

Total net non-operating revenues (expenses)		(52,901)
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CAPITAL CONTRIBUTIONS

Connection fees - new users		<u>33,750</u>
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(Decrease) in net position		(721,561)
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NET POSITION, JULY 1, 2016		<u>18,591,206</u>
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NET POSITION, JUNE 30, 2017		<u><u>\$ 17,869,645</u></u>
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The notes are an integral part of the financial statements.

MARION TOWNSHIP

**STATEMENT OF CASH FLOWS
PROPRIETARY - SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Cash receipts from customer usage	\$ 260,718	
Cash disbursements to vendors	(281,623)	
Net cash (used in) operating activities		\$ (20,905)

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

Special assessment collections - principal and interest	914,929	
Connection fees received	33,750	
Purchase of capital assets	(30,492)	
Uncollectible assessments	(158,372)	
Grant expenditures	(48,363)	
Net cash flows from capital and related financing activities		711,452

Increase in cash and cash equivalents		690,547
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BALANCE, JULY 1, 2016		2,069,213
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BALANCE, JUNE 30, 2017		\$ 2,759,760
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**RECONCILIATION OF OPERATING INCOME (LOSS)
TO NET CASH FROM (USED IN) OPERATING ACTIVITIES**

Operating (loss)		\$ (702,410)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation expense		670,854
Change in assets and liabilities:		
Receivables, net		(28,729)
Accounts and other payables		39,380
Net cash (used in) operating activities		\$ (20,905)

The notes are an integral part of the financial statements.

MARION TOWNSHIP

**STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2017**

	Agency Funds			
	Flexible Medical Savings Fund	Escrow Fund	Current Tax Fund	Total
ASSETS				
Cash and investments	\$ 18,440	\$ 47,499	\$ 1,028	\$ 66,967
 LIABILITIES				
Due to others	\$ 3,821	\$ 47,499	\$ 1,028	\$ 52,348
Due to other funds	14,619			14,619
Total liabilities	\$ 18,440	\$ 47,499	\$ 1,028	\$ 66,967

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, 2017

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) 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). The Township does not have any activities included in its financial statements related to component units.

The following potential component units have been evaluated under the criteria established by GASB standards 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 five 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 member of the Authority's five 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 standards, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Position 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, 2017**

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 Position reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets and deferred outflows of resources less liabilities and deferred inflows of resources equals net position, with the assets and liabilities shown in order of their relative liquidity. Net position is 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 positions 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 positions 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 positions 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 the fund financial statements for governmental funds and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB standards. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Assessment Revolving Project Fund accounts for the activities associated with the collection of special assessments and funding of road repairs for special assessment districts.

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 of the water system (MHOG).

The Township reports the following major business-type fund:

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

The proprietary fund, also known as an enterprise 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 standards, 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 enterprise 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.

Private-sector standards of accounting prior to December 1, 1989 are generally followed in financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activity.

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

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

D. BUDGETS AND BUDGETARY ACCOUNTING

1. A 2016 – 2017 fiscal year budget for the General Fund was adopted by the Township Board in June of 2016. The budget includes proposed expenditures and means of financing them.
2. A public hearing was conducted to obtain taxpayers comments.
3. The budget for the General Fund and all special revenue funds should be 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 standards, 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. 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

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, 2017**

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.

The Township levied .8071 mills on a taxable value of \$419,707,312. For the year ended June 30, 2017, the Township recognized the property taxes levied December 1, 2016 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, deposits and short-term investments with a maturity date of three months or less when acquired are considered to be cash and 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 4, as of the Statement of Net Position date, the Township considers all of its current receivables to be collectable.

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

L. FUND EQUITY

In the fund financial statements, under GASB standards, governmental funds report the following components of fund balance:

- Nonspendable - Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed - Amounts that have been formally set aside by the Township Board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Township Board.
- Assigned - Intent to spend resources on specific purposes expressed by the Township Board; or Supervisor, Clerk, and Treasurer; who are authorized by policy approved by the Township Board to make assignments. All current year assignments have been made by the Township Board.
- Unassigned - Amounts that do not fall into any other aforementioned category. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

M. DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The government has no items that qualifies for reporting in this category.

N. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The government has one item that qualifies for reporting in this category, which is the unavailable revenue reported in the governmental funds balance sheets. Unavailable revenue is revenue that is legally due the government but which will not be collected within 60 days after year-end and therefore does not meet the availability criteria for revenue recognition.

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 several 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, 2017, the carrying value of deposits in banks totaled \$6,349,861 which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 1,696,450
Uninsured and collateralized by securities held by pledging financial institutions	<u>4,653,411</u>
Total deposits in banks	<u>\$ 6,349,861</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, 2017, the Township's investments were exposed to custodial credit risk as follows:

Non-negotiable CD's	<u>\$ 1,154,163</u>
Insured by FDIC and collateralized	<u>\$ 1,154,163</u>

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017, the Township's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>	<u>Amount</u>
Non-negotiable CD's	Unrated	\$ 1,154,163

The Township's investment policy addresses credit risk and investments held at June 30, 2017, comply with the policy and statutory authority.

As of June 30, 2017, cash and investments consisted of the following:

	<u>Total</u>	<u>Cash</u>	<u>Investments</u>
Checking accounts	\$ 4,590,551	\$ 4,590,551	\$
Money market and savings accounts	605,147	605,147	
Non-negotiable CDs	<u>1,154,163</u>		<u>1,154,163</u>
Total	<u>\$ 6,349,861</u>	<u>\$ 5,195,698</u>	<u>\$ 1,154,163</u>

Cash and investments are presented in the financial statements in the following areas:

Statement of Net Position	
Cash and investments	\$ 6,250,727
Fiduciary Funds	
Cash and investments	<u>66,967</u>
Total cash and investments	<u>\$ 6,317,694</u>

Differences in the above reconciliation and actual amounts consist of cash on hand and outstanding items that had not cleared the bank as of June 30, 2017.

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3 - INTERFUND TRANSACTIONS AND BALANCES

Interfund receivables and payables between individual funds of the Township, as reported in the fund financial statements, as of June 30, 2017, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>June 30, 2017 Balance</u>	<u>Description</u>
General Fund	Flexible Medical Savings Fund	\$ 14,619	Reimbursement of forfeitures
General Fund	Sewer Fund	627	Reimbursement
General Fund	Water New User Fund	469	Reimbursement
Sewer Fund	Water New User Fund	16,329	Reimburse delinquent sewer billings
		<u>\$ 32,044</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.

The Township did not have any transfers between funds for the year ended June 30, 2017.

NOTE 4 - SPECIAL ASSESSMENTS RECEIVABLE

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

The current economic environment has caused a number of property owners in various special assessment districts to become delinquent on their obligation to pay the annual installments in a timely manner. In normal times, these delinquent assessments would be satisfied through a lien and foreclosure process. However, due to the decline in the value of the property collateralizing such assessments, it has become apparent that 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:

	<u>Assessment Revolving Project Fund</u>	<u>Water New User Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Gross special assessments receivable	\$ 188,205	\$ 190,632	\$ 667,462	\$ 1,046,299
Less: allowance for uncollectable assessments		(66,552)	(51,691)	(118,243)
Net special assessments receivable	<u>\$ 188,205</u>	<u>\$ 124,080</u>	<u>\$ 615,771</u>	<u>\$ 928,056</u>

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 5 - CAPITAL ASSETS

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

	Audited Balance 7/1/2016	Additions	Deletions	Audited Balance 6/30/2017
<u>Governmental Activities</u>				
Capital assets not being depreciated				
Land	\$ 402,669	\$ 29,591	\$	\$ 432,260
Capital assets being depreciated:				
Buildings	1,204,795			1,204,795
Equipment	125,254	6,770		132,024
Park improvements	103,467			103,467
Subtotal	1,433,516	6,770		1,440,286
Accumulated depreciation:				
Buildings	(571,615)	(25,575)		(597,190)
Equipment	(88,896)	(8,392)		(97,288)
Park improvements	(50,241)	(4,472)		(54,713)
Subtotal	(710,752)	(38,439)		(749,191)
Net capital assets being depreciated	722,764	(31,669)		691,095
Net capital assets	\$ 1,125,433	\$ (2,078)	\$	\$ 1,123,355

The Township has no debt associated with these assets.

Depreciation expense was charged to the following programs:

Governmental activities:	
General government	\$ 33,967
Parks and recreation	4,472
Total depreciation	\$ 38,439

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 5 - CAPITAL ASSETS – continued

A summary of changes in capital assets for business-type activities is as follows:

	Audited Balance 7/1/2016	Additions	Deletions	Audited Balance 6/30/2017
<u>Business-type Activities</u>				
Capital assets not being depreciated				
Land	\$ 344,781	\$	\$	\$ 344,781
Land acquisition costs	479,359	30,492		509,851
Total capital assets not being depreciated	824,140	30,492		854,632
Capital assets being depreciated:				
Sewer plant	9,795,116			9,795,116
Collection system	14,115,473			14,115,473
Equipment	134,102			134,102
Subtotal	24,044,691			24,044,691
Accumulated depreciation:				
Sewer plant	(4,227,414)	(267,756)		(4,495,170)
Collection system	(6,166,665)	(403,098)		(6,569,763)
Equipment	(134,102)			(134,102)
Subtotal	(10,528,181)	(670,854)		(11,199,035)
Net capital assets being depreciated	13,516,510	(670,854)		12,845,656
Net capital assets	\$ 14,340,650	\$ (640,362)	\$	\$ 13,700,288

Depreciation expense was charged to the sewer disposal program.

NOTE 6 - STATEMENT OF CASH FLOWS - BUSINESS-TYPE ACTIVITIES

Pursuant to the Governmental Accounting Standards Board (GASB) standards, 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 investments for the sewer proprietary fund:

	7/1/2016	6/30/2017
Current assets		
Cash and equivalents	\$ 2,069,213	\$ 2,759,760

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 7 - DEFINED CONTRIBUTION PENSION PLANS

The Township has adopted the MERS 401(a) Defined Contribution Pension Plan for Michigan Township employees. All elected/appointed officials and employees working 32 or more hours a week are eligible for participation in this single-employer plan. The Township contributes 8.0% of compensation. The employee may also voluntarily contribute up to 10% of after-tax compensation. The Township's payroll for employees covered by the plan for the year ended June 30, 2017, was \$378,062.

TOTAL CURRENT YEAR EMPLOYER CONTRIBUTIONS	\$ <u>30,246</u>
TOTAL EMPLOYEE AFTER TAX CONTRIBUTIONS	\$ <u>\$628</u>

In addition, the Township sponsors a deferred compensation plan qualifying under Section 457 of the Internal Revenue Code with MERS and VOYA Financial. The Township is not obligated to make matching or employer contributions to the plan. Employees contributed \$2,000 to the MERS plan and \$3,600 to the VOYA plan.

NOTE 8 - INVESTMENT IN JOINT VENTURES

As of June 30, 2017, 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 \$10,403,154 as of June 30, 2017.

Such amount is recorded in the government-wide statement of net position 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. Selected financial information of MHOG as of and for the fiscal year ended September 30, 2016 (the date financial information was last available) were as follows:

Total assets	\$ 45,286,532
Total liabilities	\$ 3,673,916
Total net position	\$ 41,612,616
Total revenue	\$ 3,306,080
Total expenses	\$ 3,483,248

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 8 - 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 \$979,435 as of June 30, 2017.

Such amount is recorded in the government-wide statement of net position 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 Fire Authority at 1211 W. Grand River, Howell, Michigan. Selected financial information of the Fire Authority as of and for the fiscal year ended June 30, 2017 (the date financial information was last available) was as follows:

Total assets	\$ 5,375,531
Total liabilities	\$ 478,355
Total net assets	\$ 4,897,176
Total revenue	\$ 2,557,779
Total expenditures	\$ 2,105,739

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 Township appoints one member to the five member Recreation Authority board. The Township holds a 25% equity interest in the joint venture which amounted to \$1,277 at June 30, 2017. This amount is recorded in the government-wide statement of net position as an investment in joint venture.

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 December 31, 2016 (the date financial information was last available) was as follows:

Total assets	\$ 137,589
Total liabilities	\$ 133,719
Total net position (deficit)	\$ 3,870
Total revenue	\$ 1,259,387
Total expenditures	\$ 1,225,404

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, 2017**

	<u>Budget Amount</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 439,500	\$ 439,500	\$ 460,028	\$ 20,528
Licenses and permits	140,800	134,750	146,126	11,376
State shared revenues	775,000	775,000	845,222	70,222
Interest and rent	61,540	58,540	63,358	4,818
Other revenues	18,301	18,301	29,504	11,203
Total revenues	1,435,141	1,426,091	1,544,238	118,147
EXPENDITURES	1,949,779	1,983,859	1,307,054	676,805
Excess of revenues over (under) expenditures	(514,638)	(557,768)	237,184	794,952
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(25,000)	(25,000)		25,000
Net change in fund balance	(539,638)	(582,768)	237,184	819,952
FUND BALANCE, JULY 1, 2016	2,368,732	2,368,732	2,368,732	
FUND BALANCE, JUNE 30, 2017	<u>\$ 1,829,094</u>	<u>\$ 1,785,964</u>	<u>\$ 2,605,916</u>	<u>\$ 819,952</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

MARION TOWNSHIP

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

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 the year ended June 30, 2017. The Water New User Fund is classified as a capital projects fund and under PA #2 is not required to adopt an operating budget.

The Township failed to adopt budgets for the following funds which is a requirement of PA #2:

1. Recreation Fund (combined with General Fund)
2. Heritage Days Fund (combined with General Fund)
3. Cemetery Fund
4. Assessment Revolving Project Fund

Budget Overruns

Expenditures in the General Fund exceeded budgeted appropriations in several areas in immaterial amounts for the year ended June 30, 2017.

SUPPLEMENTAL INFORMATION

COMBINING FINANCIAL STATEMENTS

MARION TOWNSHIP

**ALL FUNDS INCLUDED IN GASB 54 GENERAL FUND CONSOLIDATION
COMBINING BALANCE SHEET
JUNE 30, 2017**

	<u>General Fund Pre - GASB 54 Consolidation</u>	<u>Recreation Fund</u>	<u>Heritage Days Fund</u>	<u>Totals Restated General Fund</u>
ASSETS				
Cash and investments	\$ 2,314,491	\$ 6,625	\$ 3,129	\$ 2,324,245
State shared revenue receivable	272,512			272,512
Accounts receivable	920			920
Due from other funds	15,715			15,715
Prepaid expenses	43,779			43,779
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,647,417</u>	<u>\$ 6,625</u>	<u>\$ 3,129</u>	<u>\$ 2,657,171</u>
Liabilities				
Accounts payable	\$ 7,237	\$	\$	\$ 7,237
Accrued wages and pension payable	40,051			40,051
Unearned revenue	3,967			3,967
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>51,255</u>	<u> </u>	<u> </u>	<u>51,255</u>
Fund Balances				
Nonspendable for:				
Prepaid expenses	43,779			43,779
Committed to:				
Capital improvement		6,625		6,625
Community events			3,129	3,129
Assigned for future budgets	577,706			577,706
Unassigned	1,974,677			1,974,677
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>2,596,162</u>	<u>6,625</u>	<u>3,129</u>	<u>2,605,916</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 2,647,417</u>	<u>\$ 6,625</u>	<u>\$ 3,129</u>	<u>\$ 2,657,171</u>

MARION TOWNSHIP

**ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

	Cemetery Fund	Assessment Revolving Project Fund	Totals
ASSETS			
Cash and investments	\$ 12,726	\$ 145,358	\$ 158,084
Special assessments receivable, net		188,205	188,205
Total assets	\$ 12,726	\$ 333,563	\$ 346,289
 LIABILITIES			
Accounts payable	\$	\$ 4,216	\$ 4,216
 DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue		188,205	188,205
FUND BALANCE	12,726	141,142	153,868
Total liabilities, deferred inflows of resources and fund balance	\$ 12,726	\$ 333,563	\$ 346,289

MARION TOWNSHIP

**ALL FUNDS INCLUDED IN GASB 54 GENERAL FUND CONSOLIDATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund - Pre GASB 54 Consolidation	Recreation Fund	Heritage Days Fund	Totals Restated General Fund
REVENUES				
Taxes	\$ 460,028	\$	\$	\$ 460,028
Licenses and permits	146,126			146,126
State revenues	845,222			845,222
Interest	4,036			4,036
Cell tower lease	59,322			59,322
Community event income	500		9,519	10,019
Other	18,475	1,010		19,485
Total revenues	1,533,709	1,010	9,519	1,544,238
EXPENDITURES				
Payroll taxes and benefits	222,770			222,770
Township board	39,554			39,554
Supervisor	39,683			39,683
Clerk	75,620			75,620
Board of review	3,082			3,082
Treasurer	99,716			99,716
Assessor	76,934			76,934
Tax roll prep	6,047			6,047
Election	29,750			29,750
Building and grounds	100,023			100,023
Legal	10,504			10,504
Professional fees	36,571			36,571
Insurance, bonds and retirement	70,484			70,484
Equipment	11,590			11,590
Public works	3,428			3,428
Drains	10,328			10,328
Planning commission	7,019			7,019
Zoning administrator	35,941			35,941
Zoning board of appeals	1,955			1,955
Roads	297,755			297,755
Cemetery	6,000			6,000
Recreation	105,500	7,403		112,903
Community event expenditures			9,397	9,397
Total expenditures	1,290,254	7,403	9,397	1,307,054
Net changes in fund balances	243,455	(6,393)	122	237,184
FUND BALANCE, JULY 1, 2016	2,352,707	13,018	3,007	2,368,732
FUND BALANCE, JUNE 30, 2017	\$ 2,596,162	\$ 6,625	\$ 3,129	\$ 2,605,916

MARION TOWNSHIP

**ALL SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Cemetery Fund</u>	<u>Assessment Revolving Project Fund</u>	<u>Totals</u>
REVENUES			
Special assessments	\$	\$ 105,333	\$ 105,333
Service charges	3,000		3,000
Interest income - special assessments		1,148	1,148
Total revenues	<u>3,000</u>	<u>106,481</u>	<u>109,481</u>
EXPENDITURES			
Construction and maintenance	<u>10,270</u>	<u>138,227</u>	<u>148,497</u>
Net change in fund balances	(7,270)	(31,746)	(39,016)
FUND BALANCE, JULY 1, 2016	<u>19,996</u>	<u>172,888</u>	<u>192,884</u>
FUND BALANCE, JUNE 30, 2017	<u>\$ 12,726</u>	<u>\$ 141,142</u>	<u>\$ 153,868</u>

INDIVIDUAL FUNDS

GENERAL FUND (PRE GASB 54 RESTATEMENT)

MARION TOWNSHIP

**GENERAL FUND (PRE GASB 54 RESTATEMENT)
BALANCE SHEET
JUNE 30, 2017**

ASSETS

Cash and investments		\$ 2,314,491
Accounts receivable - state shared revenues		272,512
Accounts receivable - other		920
Due from other funds		15,715
Prepaid expenditures		<u>43,779</u>
Total assets		<u><u>\$ 2,647,417</u></u>

LIABILITIES

Accounts payable	\$ 7,237
Accrued expenditures	40,051
Unearned revenue	<u>3,967</u>

Total liabilities \$ 51,255

FUND BALANCE

2,596,162

Total liabilities and fund balance \$ 2,647,417

This supplementary information shows the General Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information.

MARION TOWNSHIP

**GENERAL FUND (PRE GASB 54 RESTATEMENT)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 439,500	\$ 460,028	\$ 20,528
Licenses and permits	134,750	146,126	11,376
State shared revenues	775,000	845,222	70,222
Interest and rent	58,540	63,358	4,818
Other revenues	12,001	18,975	6,974
Total revenues	1,419,791	1,533,709	113,918
EXPENDITURES	1,964,448	1,290,254	674,194
Net revenues over (under) expenditures	(544,657)	243,455	788,112
OTHER FINANCING SOURCES (USES)			
Transfers out	(37,000)		37,000
Net change in fund balance	(581,657)	243,455	825,112
FUND BALANCE, JULY 1, 2016	2,352,707	2,352,707	
FUND BALANCE, JUNE 30, 2017	\$ 1,771,050	\$ 2,596,162	\$ 825,112

This supplementary information shows the General Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information.

MARION TOWNSHIP

**GENERAL FUND (PRE GASB 54 RESTATEMENT)
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
PROPERTY TAXES			
Property taxes	\$ 327,500	\$ 338,844	\$ 11,344
PILT		519	519
Administration fees	<u>112,000</u>	<u>120,665</u>	<u>8,665</u>
Total property taxes	<u>439,500</u>	<u>460,028</u>	<u>20,528</u>
LICENSES AND PERMITS			
Licenses, fees, permits	9,750	15,732	5,982
Cable franchise fees	<u>125,000</u>	<u>130,394</u>	<u>5,394</u>
Total licenses and permits	<u>134,750</u>	<u>146,126</u>	<u>11,376</u>
STATE REVENUES			
State shared revenues	775,000	831,204	56,204
Election reimbursements		9,368	9,368
State grants		<u>4,650</u>	<u>4,650</u>
Total state revenues	<u>775,000</u>	<u>845,222</u>	<u>70,222</u>
INTEREST AND RENT			
Interest income	700	4,036	3,336
Video franchise fees	22,000	22,830	830
Cell tower lease	34,840	34,846	6
Rental income	<u>1,000</u>	<u>1,646</u>	<u>646</u>
Total interest and rent	<u>58,540</u>	<u>63,358</u>	<u>4,818</u>
OTHER REVENUES			
Printing and publications		5	5
Miscellaneous	1,501	5,447	3,946
Metro act	<u>10,500</u>	<u>13,523</u>	<u>3,023</u>
Total other revenues	<u>12,001</u>	<u>18,975</u>	<u>6,974</u>
Total revenues	<u>\$ 1,419,791</u>	<u>\$ 1,533,709</u>	<u>\$ 113,918</u>

This supplementary information shows the General Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information.

MARION TOWNSHIP

GENERAL FUND (PRE GASB 54 RESTATEMENT)
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Amended Budget	Actual	Variance Favorable (Unfavorable)
PAYROLL TAXES AND BENEFITS			
Payroll taxes	\$ 33,000	\$ 30,018	\$ 2,982
Unemployment	2,000		2,000
Health insurance	198,235	189,444	8,791
Payroll processing	4,000	3,308	692
Total payroll	237,235	222,770	14,465
TOWNSHIP BOARD			
Salaries	33,100	31,970	1,130
Meetings and seminars	1,500	618	882
Mileage	300	269	31
Printing and publications	1,500	1,175	325
Membership dues	5,800	5,522	278
Miscellaneous	250		250
Total township board	42,450	39,554	2,896
SUPERVISOR			
Salary	38,597	38,597	
Supplies	250		250
Mileage	250		250
Miscellaneous	100		100
Meetings and seminars	1,350	1,086	264
Total supervisor	40,547	39,683	864
CLERK			
Salary	38,597	38,597	
Salaries - other	33,500	33,335	165
Salaries - assistant	200		200
Supplies	800	766	34
Mileage	750	576	174
Dues and subscriptions	600	552	48
Miscellaneous	100	86	14
Training and seminars	2,000	1,708	292
Total clerk	76,547	75,620	927

This supplementary information shows the General Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information.

MARION TOWNSHIP

**GENERAL FUND (PRE GASB 54 RESTATEMENT)
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
BOARD OF REVIEW			
Salaries	2,300	2,259	41
Printing and publications	1,000	700	300
Miscellaneous	200	123	77
Total board of review	<u>3,500</u>	<u>3,082</u>	<u>418</u>
TREASURER			
Salary	38,597	36,560	2,037
Salaries - other	55,009	56,411	(1,402)
Collection fees	200		200
Supplies	1,200	1,137	63
Equipment	600	600	
Legal	1,250	34	1,216
Mileage	1,800	1,198	602
Dues and subscriptions	650	581	69
Miscellaneous	500	44	456
Training	3,750	3,151	599
Total treasurer	<u>103,556</u>	<u>99,716</u>	<u>3,840</u>
ASSESSOR			
Salaries	97,613	71,615	25,998
Dues and subscriptions	1,000	215	785
Supplies	1,500	1,423	77
Postage	3,500	2,148	1,352
Attorney	500		500
Outside consultant	500		500
Mileage	750	93	657
Software	500		500
Training and seminars	1,500	1,315	185
Miscellaneous	150	125	25
Total assessor	<u>107,513</u>	<u>76,934</u>	<u>30,579</u>

This supplementary information shows the General Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information.

MARION TOWNSHIP

**GENERAL FUND (PRE GASB 54 RESTATEMENT)
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
TAX ROLL			
Tax roll prep	6,000	5,603	397
Postage		444	(444)
Total tax roll	<u>6,000</u>	<u>6,047</u>	<u>(47)</u>
ELECTIONS			
Salaries	25,000	20,927	4,073
Equipment	1,000	845	155
Supplies	3,500	2,179	1,321
Mileage	200	176	24
Printing and publications	500	180	320
Postage	2,500	1,122	1,378
Miscellaneous	5,000	4,321	679
Total elections	<u>37,700</u>	<u>29,750</u>	<u>7,950</u>
BUILDING AND GROUNDS			
Salaries - secretary	35,000	31,086	3,914
Custodial	6,500	6,327	173
Trash removal	10,750	7,159	3,591
Supplies	9,000	8,234	766
Equipment - maintenance	6,000	4,806	1,194
Postage	6,000	3,250	2,750
Mileage	300	248	52
Grounds maintenance	13,500	9,275	4,225
Repairs and maintenance	3,000	340	2,660
Telephone	8,000	5,299	2,701
Utilities	10,000	6,820	3,180
Cable and internet	2,500	1,386	1,114
Major repairs	16,000	14,838	1,162
Miscellaneous	3,300	955	2,345
Total building and grounds	<u>129,850</u>	<u>100,023</u>	<u>29,827</u>
LEGAL	<u>12,700</u>	<u>10,504</u>	<u>2,196</u>

This supplementary information shows the General Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information.

MARION TOWNSHIP

GENERAL FUND (PRE GASB 54 RESTATEMENT)
 STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
 FOR THE YEAR ENDED JUNE 30, 2017

	Amended Budget	Actual	Variance Favorable (Unfavorable)
PROFESSIONAL FEES			
Financial services	9,500	9,350	150
Accounting services	1,000		1,000
Software support	14,000	16,136	(2,136)
Economic development	9,000	8,700	300
Engineering	4,500	2,345	2,155
Miscellaneous	50	40	10
Total professional fees	38,050	36,571	1,479
INSURANCE, BONDS AND RETIREMENT			
Insurance and bonds	41,000	40,238	762
Retirement	31,000	30,246	754
Admin fees	500		500
Total insurance, bonds and retirement	72,500	70,484	2,016
EQUIPMENT	12,000	11,590	410
CAPITAL OUTLAY			
Building improvements	10,000		10,000
Tornado siren	3,000		3,000
Total capital outlay	13,000		13,000
PUBLIC WORKS			
Salaries	6,000	3,428	2,572
Watershed planning	450		450
Supplies	250		250
Training and seminars	250		250
Mileage	200		200
Total public works	7,150	3,428	3,722
DRAINS	16,000	10,328	5,672

This supplementary information shows the General Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information.

MARION TOWNSHIP

**GENERAL FUND (PRE GASB 54 RESTATEMENT)
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
PLANNING COMMISSION			
Salaries	5,400	3,610	1,790
Supplies	100		100
Training and seminars	750	629	121
Attorney	750		750
Printing and publications	1,700	147	1,553
Recording secretary	1,750	845	905
Miscellaneous	100	93	7
Professional fees	4,500	1,695	2,805
Total planning commission	<u>15,050</u>	<u>7,019</u>	<u>8,031</u>
ZONING ADMINISTRATOR			
Salary	44,050	35,301	8,749
Supplies	250		250
Attorney	250		250
Mileage	1,000	530	470
Miscellaneous	200	110	90
Planner	500		500
Training and seminars	250		250
Engineer	500		500
Total zoning administrator	<u>47,000</u>	<u>35,941</u>	<u>11,059</u>
ZONING BOARD OF APPEALS			
Salaries	5,400	1,110	4,290
Supplies	50		50
Training and seminars	500		500
Attorney	1,250		1,250
Printing and publications	1,250	570	680
Recording secretary	750	190	560
Miscellaneous	100		100
Planner	250	85	165
Engineer	250		250
Total zoning board of appeals	<u>9,800</u>	<u>1,955</u>	<u>7,845</u>

This supplementary information shows the General Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information.

MARION TOWNSHIP

**GENERAL FUND (PRE GASB 54 RESTATEMENT)
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ROADS			
Maintenance	750,000	255,945	494,055
Dust control	60,000	41,810	18,190
Total roads	<u>810,000</u>	<u>297,755</u>	<u>512,245</u>
CEMETERY	<u>6,000</u>	<u>6,000</u>	
RECREATION	<u>110,300</u>	<u>105,500</u>	4,800
CONTINGENCY	<u>10,000</u>		10,000
Total expenditures	<u><u>\$ 1,964,448</u></u>	<u><u>\$ 1,290,254</u></u>	<u><u>\$ 674,194</u></u>

This supplementary information shows the General Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information.

PROPRIETARY SEWER FUND

MARION TOWNSHIP

**PROPRIETARY SEWER FUND
STATEMENT OF REVENUES AND EXPENSES FOR OPERATIONS ONLY
FOR THE YEARS ENDED JUNE 30, 2008 - 2017**

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>6/30/2008</u>
REVENUE										
User charges -										
Quarterly charges for usage	\$ 289,447	\$ 264,297	\$ 254,001	\$ 239,446	\$ 220,408	\$ 212,747	\$ 202,607	\$ 173,243	\$ 190,260	\$ 196,837
EXPENSES										
Contract labor	25,544	38,433	45,275	39,527	47,460	38,040	38,177	45,984	51,565	37,908
Sewer usage fee	178,739	153,914	151,343	137,972	114,199	92,450	87,507	85,001	131,523	93,033
Utilities	9,749	10,326	8,164	10,237	9,896	8,890	9,041	9,263	7,838	7,558
Telephone	7,158	5,189	7,485	5,988	5,075	4,391	3,656	3,420	3,195	2,978
Administrative fees -										
Reimbursement to general fund			5,000	4,000	4,000	2,202	2,202	2,485	2,557	3,403
Billing administrative (Genoa Twp.)	19,877	18,971	18,055	16,915	15,560	15,003	14,615	14,272	14,072	13,713
Professional fees	45,999	25,238	7,531	17,218	9,290	16,772	14,067	25,969	30,662	36,037
Repairs and maintenance	33,937	714	1,658	13,840	4,872	1,528	6,663	48,366	6,721	1,591
Refunds		17,683								
Miscellaneous			440						650	1,513
Total expenses	<u>321,003</u>	<u>270,468</u>	<u>244,951</u>	<u>245,697</u>	<u>210,352</u>	<u>179,276</u>	<u>175,928</u>	<u>234,760</u>	<u>248,783</u>	<u>197,734</u>
Net operating income (loss)	<u>\$ (31,556)</u>	<u>\$ (6,171)</u>	<u>\$ 9,050</u>	<u>\$ (6,251)</u>	<u>\$ 10,056</u>	<u>\$ 33,471</u>	<u>\$ 26,679</u>	<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.

November 13, 2017

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

Dear Honorable Board of Trustees:

In planning and performing our audit of the financial statements of Marion Township as of and for the year ended June 30, 2017, 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 material weaknesses.

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:

1. 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.

RESPONSE BY MANAGEMENT

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. Management has read, reviewed, understands and takes full responsibility for the financial statements.

2. SEGREGATION OF DUTIES

The Township has individuals 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.

RESPONSE BY 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 other matters which we feel should be discussed with you. In our view, these do not constitute material weaknesses or significant deficiencies:

1. Approving Budgets

We noted the Township did not approve budgets for the following funds prior to July 1, 2016 for the year ending June 30, 2017:

- Recreation Fund (Combined with the General Fund)
- Heritage Days Fund (Combined with the General Fund)
- Cemetery Fund
- Assessment Revolving Project Fund

In the future, budgets should be approved for all special revenue funds as well as the General Fund.

2. Bank Reconciliations - Signing Off

We noted various bank reconciliations were completed with no signatures or dates as to who completed the reconciliation and as to when it was completed. All bank reconciliations should be initialed (signed) and dated.

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

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants