

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name	County
Audit Date	Opinion Date	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- Yes No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- Yes No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- Yes No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- Yes No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- Yes No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- Yes No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- Yes No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- Yes No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- Yes No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)			
Street Address	City	State	ZIP Code
Accountant Signature		Date	

MARION TOWNSHIP

REPORT ON AUDIT OF
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2005

MARION TOWNSHIP

TOWNSHIP OFFICIALS

Supervisor - Robert Hanvey
Clerk - Tammy Beal
Treasurer - Sue Lingle

BOARD OF TRUSTEES

Robert Hanvey
Tammy Beal
Sue Lingle
Daniel Lowe
David Hamann

TOWNSHIP ATTORNEYS

Miller, Kehoe & Associates

TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

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

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

November 4, 2005

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, 2005, which collectively comprise Marion Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Marion Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion Township, as of June 30, 2005, 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.

As described in Note 1, the Township has implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2005.

The Management's Discussion and Analysis and other required supplementary information on pages 8 through 14 and 43 and 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marion Township's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining and individual fund statements, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information 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, 2005

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, 2005. 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 had implemented the new financial reporting model used in this report beginning with the prior fiscal year ended June 30, 2004. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Township as a whole.

The Township's net assets at the end of the fiscal year were \$28,750,343. This is a \$814,626 decrease over last year's net assets of \$29,564,969.

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

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

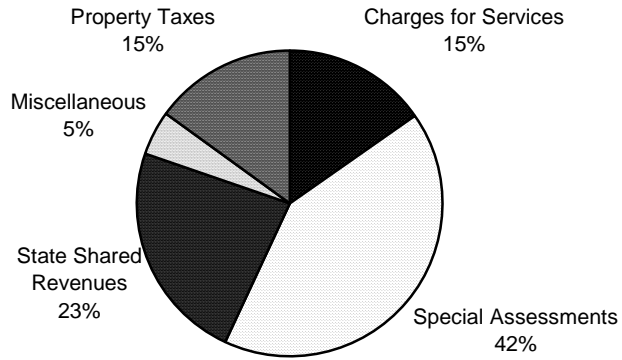
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
ASSETS			
Current and other assets	\$ 6,760,238	\$ 18,165,240	\$ 24,925,478
Capital assets	<u>981,692</u>	<u>20,017,538</u>	<u>20,999,230</u>
Total assets	<u>7,741,930</u>	<u>38,182,778</u>	<u>45,924,708</u>
<u>LIABILITIES</u>			
LIABILITIES			
Other liabilities	89,650	43,638	133,288
Bonds/contracts payable	<u>3,295,377</u>	<u>13,745,700</u>	<u>17,041,077</u>
Total liabilities	<u>3,385,027</u>	<u>13,789,338</u>	<u>17,174,365</u>
<u>NET ASSETS</u>			
NET ASSETS			
Invested in capital assets, net of related debt	811,546	6,271,838	7,083,384
Unrestricted	<u>3,545,357</u>	<u>18,121,602</u>	<u>21,666,959</u>
Total net assets	<u>\$ 4,356,903</u>	<u>\$ 24,393,440</u>	<u>\$ 28,750,343</u>

Summary of Changes in Net Assets
(Under GASB 34)

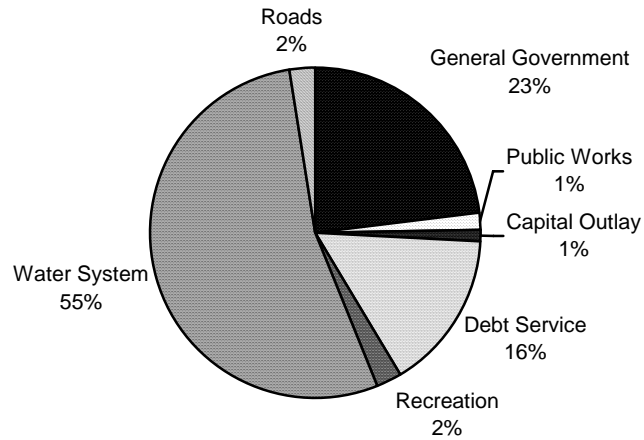
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
REVENUES			
Program revenues			
Charges for services	\$ 236,610	\$ 119,196	\$ 355,806
Operating contributions	204,077		204,077
Capital contributions		587,122	587,122
General revenues			
State shared revenues	454,043		454,043
Property taxes	293,343		293,343
Interest income - cash and assessments	387,704	1,006,838	1,394,542
Other	<u>56,462</u>	<u>33,242</u>	<u>89,704</u>
Total revenues	<u>1,632,239</u>	<u>1,746,398</u>	<u>3,378,637</u>
EXPENSES			
General government	679,105		679,105
Roads	69,664		69,664
Parks and recreation	66,598		66,598
Public works	41,440		41,440
Water utilities	1,663,463		1,663,463
Interest on long-term debt	192,999		192,999
Sewer system		<u>1,479,994</u>	<u>1,479,994</u>
Total expenses	<u>2,713,269</u>	<u>1,479,994</u>	<u>4,193,263</u>
Change in net assets	(1,081,030)	266,404	(814,626)
BEGINNING NET ASSETS	<u>5,437,933</u>	<u>24,127,036</u>	<u>29,564,969</u>
ENDING NET ASSETS	<u>\$ 4,356,903</u>	<u>\$ 24,393,440</u>	<u>\$ 28,750,343</u>

Modified Accrual Basis Graphs

Governmental Fund Revenues



Governmental Fund Expenditures



Cash and investments have decreased \$3,112,524 from the prior fiscal period. This is primarily due to the Township's participation in an area water authority and \$2,831,114 paid towards the defeasance of the sewer bonds.

The governmental funds net assets decreased by \$1,081,030 principally due to the \$1,663,463 paid towards the Township's participation in the MHOG water system.

The business-type funds revenues exceeded expenses by \$266,404 for the year ended June 30, 2005. Of this amount \$587,122 were connection fees paid by either residents and/or developers tapping into the sewage treatment system. These connection fees are revenue upon receipt, but do not necessarily have expenses matching in the current fiscal period.

Financial Analysis of the Township's Funds

The Township had four major funds for the year ended June 30, 2005. 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 \$140,933. This is the typical activity for this fund. The prior year was near a break-even scenario due to the expenditures related to the expansion of the Township hall.

The Water System Assessment Fund had revenues over expenditures totaling \$155,257 before it transferred out \$950,000 as a loan to the Water New User Fund. This fund accounts for the assessment and related debt service for the Township's participation in the MHOG water authority. The excess of revenues over expenditures will be reduced annually until the bonds have been paid off.

The Water New User Fund's expenditures exceeded revenues by \$1,178,301 and received an operating transfer of \$950,000 from the Water System Assessment Fund. This fund accounts for the tap-ins and unbonded assessments for the Township's participation in the MHOG water authority. The current year excess of \$1,178,301 is due to a water plant expansion, of which the Township paid its share of \$1,500,000.

The Township's sole business-type fund, the Sewer Fund, had a net income of \$266,404. This income is largely due to connection fees paid to the Township and additional infrastructure added to the collection system by developers. Title to the infrastructure is later transferred to the Township. Connection fees are income when they are assessed, but do not normally have offsetting expenses in the current period.

General Fund Budgetary Highlights

The Township adopted its budget prior to beginning operations for the year ended June 30, 2005. Total appropriations exceeded actual expenditures by \$118,471. This excess is largely due to the excess appropriations of the road and unallocated cost centers. 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 \$31,867 in capital outlay for the township hall improvements. The business-type fund, the Sewer Fund, spent \$163,263 for improvements to the sewage treatment plant's collection system.

The governmental funds issued no new debt during the year, but spent \$242,922 of principal and \$192,999 on existing debt. The remaining balance on governmental fund debt at June 30, 2005 was \$3,295,377.

The business-type funds acquired \$163,263 in capital assets during the year ended June 30, 2005. These capital assets were related to improvements to the collection system. Area developers paid \$148,500 of the costs of these improvements.

The business-type funds issued \$13,525,000 of sanitary sewer refunding bonds. The Township used these bonds to advance refund \$15,975,000 of the previously issued bonds. The interest rates on the newly issued refunding bonds ranges from 3.5% to 4.2% as opposed to the previous bonds whose rates ranged from 5.0% to 4.625%. Total bonds payable outstanding at the end of the fiscal year was \$13,275,000.

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. Continued development of the Township will lead to additional users and increased activity in the Township's utility system's activities.

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

GOVERNMENTAL-WIDE
FINANCIAL
STATEMENTS

MARION TOWNSHIP
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary Government		Total
	Governmental Activities	Business- type Activities	
<u>ASSETS</u>			
ASSETS			
Cash and investments	\$ 2,182,956	\$ 1,823,539	\$ 4,006,495
Cash and investments - restricted		1,886,592	1,886,592
Receivable			
Intergovernmental	130,447	34,569	165,016
State shared revenues	148,475		148,475
Accounts	7,756	45,394	53,150
Special assessments - restricted	4,290,604	13,177,180	17,467,784
Mortgage		398,040	398,040
Capital assets, net	981,692	20,017,538	20,999,230
Bond issuance costs, net		220,480	220,480
Deferred amount on refunding bonds, net		579,446	579,446
Total assets	7,741,930	38,182,778	45,924,708
<u>LIABILITIES</u>			
LIABILITIES			
Accounts payable	18,968	43,638	62,606
Accrued liabilities	23,169		23,169
Escrow deposits	47,513		47,513
Contracts payable			
Current	248,463	470,700	719,163
Non-current	3,046,914		3,046,914
Bonds payable - refunding			
Current		115,000	115,000
Non-current		13,160,000	13,160,000
Total liabilities	3,385,027	13,789,338	17,174,365
<u>NET ASSETS</u>			
NET ASSETS			
Invested in capital assets, net of related debt	811,546	6,271,838	7,083,384
Unrestricted	3,545,357	18,121,602	21,666,959
Total net assets	\$ 4,356,903	\$ 24,393,440	\$ 28,750,343

The notes are an integral part of the financial statements.

MARION TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions</u>	<u>Capital Contributions</u>
Governmental activities				
General government	\$ (679,105)	\$ 221,483	\$	\$
Parks and recreation	(66,598)			
Public works	(41,440)	7,000		
Roads	(69,664)	8,127	140,179	
Water utilities	(1,663,463)		63,898	
Interest on long-term debt	(192,999)			
Total governmental activities	(2,713,269)	236,610	204,077	
Business-type activities				
Sewer system	(1,479,994)	119,196		587,122
Total	\$ (4,193,263)	\$ 355,806	\$ 204,077	\$ 587,122

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

Total general revenues

Changes in net assets

Net assets, July 1, 2004

Net assets, June 30, 2005

The notes are an integral part of the financial statements.

Net (Expenses) Revenue and Changes Net Assets		
Governmental Activities	Business- type Activities	Total
\$ (457,622)	\$	\$ (457,622)
(66,598)		(66,598)
(34,440)		(34,440)
78,642		78,642
(1,599,565)		(1,599,565)
<u>(192,999)</u>		<u>(192,999)</u>
<u>(2,272,582)</u>		<u>(2,272,582)</u>
	<u>(773,676)</u>	<u>(773,676)</u>
<u>(2,272,582)</u>	<u>(773,676)</u>	<u>(3,046,258)</u>
293,343		293,343
454,043		454,043
348,893	854,121	1,203,014
38,811	152,717	191,528
37,658		37,658
<u>18,804</u>	<u>33,242</u>	<u>52,046</u>
<u>1,191,552</u>	<u>1,040,080</u>	<u>2,231,632</u>
(1,081,030)	266,404	(814,626)
<u>5,437,933</u>	<u>24,127,036</u>	<u>29,564,969</u>
<u>\$ 4,356,903</u>	<u>\$ 24,393,440</u>	<u>\$ 28,750,343</u>

FUND
FINANCIAL STATEMENTS

MARION TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General Fund</u>	<u>Water System Assessment Fund</u>	<u>Water New User Fund</u>
<u>ASSETS</u>			
ASSETS			
Cash and cash equivalents	\$ 1,047,051	\$ 865,473	\$ 57,988
Receivables			
Special assessments	49,947	3,638,952	1,548,605
State shared revenues	148,475		
Accounts	7,756		
Due from other funds	<u>133,314</u>	<u>12,955</u>	<u>1,699</u>
Total assets	<u>\$ 1,386,543</u>	<u>\$ 4,517,380</u>	<u>\$ 1,608,292</u>
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ 15,808	\$	\$
Accrued wages and absences	23,169		
Escrow deposits	47,513		
Due to others			1,060
Due to other funds		1,699	15,822
Deferred revenues	<u>49,947</u>	<u>3,638,952</u>	<u>1,548,605</u>
Total liabilities	<u>136,437</u>	<u>3,640,651</u>	<u>1,565,487</u>
FUND BALANCES			
Unreserved	1,250,106		
Reserved for road maintenance			
Reserved for debt service		876,729	
Reserved for utility systems			<u>42,805</u>
Total fund balances	<u>1,250,106</u>	<u>876,729</u>	<u>42,805</u>
Total liabilities and fund balances	<u>\$ 1,386,543</u>	<u>\$ 4,517,380</u>	<u>\$ 1,608,292</u>

The notes are an integral part of the financial statements.

<u>Other Non-major Funds</u>	<u>Total</u>
\$ 212,444	\$ 2,182,956
3,100	5,240,604
	148,475
	7,756
	<u>147,968</u>
<u>\$ 215,544</u>	<u>\$ 7,727,759</u>

\$ 2,100	\$ 17,908
	23,169
	47,513
	1,060
	17,521
<u>3,100</u>	<u>5,240,604</u>
<u>5,200</u>	<u>5,347,775</u>

141,311	1,391,417
69,033	69,033
	876,729
	<u>42,805</u>
<u>210,344</u>	<u>2,379,984</u>
<u>\$ 215,544</u>	<u>\$ 7,727,759</u>

MARION TOWNSHIP
 RECONCILIATION OF STATEMENT OF NET ASSETS
 OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
 JUNE 30, 2005

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

Total fund balance per balance sheet		\$ 2,379,984
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Historical cost		\$ 1,286,959
Depreciation		<u>(305,267)</u>
Capital assets net of depreciation		981,692
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Contracts payable		(3,295,377)
Deferred revenues on special assessments was recognized as revenue in the government-wide statements. Assessments are income as they are assessed.		
Deferred income		5,240,604
Interfund SAD receivable		<u>(950,000)</u>
Total deferred revenue		<u>4,290,604</u>
Net assets of governmental activities		<u>\$ 4,356,903</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, 2005

	<u>General Fund</u>	<u>Water System Assessment Fund</u>	<u>Water New User Fund</u>
REVENUES			
Taxes	\$ 293,343	\$	\$
Special assessments		550,645	257,395
State shared revenues	454,043		
Licenses and permits	88,139		
Connection fees			63,898
Rental income	37,658		
Charges for services	133,344		
Interest	9,555	24,523	3,619
Miscellaneous	<u>12,259</u>	<u> </u>	<u>6,355</u>
Total revenues	<u>1,028,341</u>	<u>575,168</u>	<u>331,267</u>
EXPENDITURES			
General government	650,660		
Water system			1,509,568
Parks and recreation	66,598		
Public works	28,193		
Roads	66,598		
Capital outlay	34,349		
Debt service	<u>16,010</u>	<u>419,911</u>	<u> </u>
Total expenditures	<u>862,408</u>	<u>419,911</u>	<u>1,509,568</u>
Excess of revenues over (under) expenditures	<u>165,933</u>	<u>155,257</u>	<u>(1,178,301)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			950,000
Transfers (out)	<u>(25,000)</u>	<u>(950,000)</u>	<u> </u>
Total other financing sources (uses)	<u>(25,000)</u>	<u>(950,000)</u>	<u>950,000</u>
Excess of revenues over (under) expenditures and other financing sources (uses)	140,933	(794,743)	(228,301)
FUND BALANCE, JULY 1, 2004	<u>1,109,173</u>	<u>1,671,472</u>	<u>271,106</u>
FUND BALANCE, JUNE 30, 2005	<u>\$ 1,250,106</u>	<u>\$ 876,729</u>	<u>\$ 42,805</u>

The notes are an integral part of the financial statements.

<u>Non-major Funds</u>	<u>Total</u>
\$	\$ 293,343
9,546	817,586
	454,043
	88,139
	63,898
	37,658
15,127	148,471
1,114	38,811
<u>190</u>	<u>18,804</u>
<u>25,977</u>	<u>1,960,753</u>
	650,660
	1,509,568
	66,598
13,247	41,440
3,066	69,664
	34,349
	<u>435,921</u>
<u>16,313</u>	<u>2,808,200</u>
<u>9,664</u>	<u>(847,447)</u>
25,000	975,000
	<u>(975,000)</u>
<u>25,000</u>	
34,664	(847,447)
<u>175,680</u>	<u>3,227,431</u>
<u>\$ 210,344</u>	<u>\$ 2,379,984</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, 2005

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

Net change in fund balances - governmental funds		\$ (847,447)
<p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation is as follows:</p>		
Capital outlay	\$ 31,867	
Depreciation expense	<u>(25,963)</u>	
Total		5,904
<p>Repayment of contracts payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets</p>		
Repayment of contracts payable		242,922
<p>Principal received on special assessments are income as they are levied annually for governmental funds, but they are income when they are levied for the Statement of Activities.</p>		
Principal collected on assessments	(468,693)	
New assessments levied	140,179	
Assessment adjusted - public works	<u>(153,895)</u>	
Total		<u>(482,409)</u>
Change in net assets of governmental activities		<u>\$ (1,081,030)</u>

The notes are an integral part of the financial statements.

MARION TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUND - SEWER FUND
JUNE 30, 2005

ASSETS

CURRENT ASSETS

Cash and investments	\$ 1,823,539	
Accounts receivable – usage	45,394	
Special assessments receivable – bonded	911,897	
Special assessments receivable – unbonded	23,545	
Mortgage receivable - bonded	17,101	
Due from other funds	<u>155,911</u>	
Total current assets		\$ 2,977,387

PROPERTY, PLANT AND EQUIPMENT

Sewer collection system	13,028,165	
Sewer plant	9,795,116	
Computers, equipment, software	134,102	
Land	<u>166,051</u>	
	23,123,434	
Less: accumulated depreciation	<u>3,105,896</u>	
Net property, plant and equipment		20,017,538

OTHER ASSETS

Special assessments receivable – bonded	11,854,658	
Special assessments receivable – unbonded	387,080	
Mortgage receivable - bonded	380,939	
Bond issuance costs, net	220,480	
Deferred amount on refunding bonds, net	<u>579,446</u>	
Total other assets		13,422,603

RESTRICTED ASSETS

Cash and cash equivalents – phase II plant	794	
Investments - phase II plant	<u>1,885,798</u>	
Total restricted assets		<u>1,886,592</u>
Total assets		<u>\$ 38,304,120</u>

The notes are an integral part of the financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 43,638
Due to other funds	121,342
Contract payable - City of Howell	470,700
Bond payable - refunding series 2005	<u>115,000</u>

Total current liabilities \$ 750,680

LONG-TERM LIABILITIES

Bond payable refunding series 2005	<u>13,160,000</u>
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Total liabilities 13,910,680

NET ASSETS

Retained earnings	<u>24,393,440</u>
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Total liabilities and net assets \$ 38,304,120

MARION TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND - SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2005

OPERATING REVENUES		
User charges	\$ 119,196	
Connection fees - new users	438,622	
Connection fees - developer contributions	<u>148,500</u>	
Total operating revenues		\$ 706,318
OPERATING EXPENSES		
Contract labor	34,872	
Sewer usage fee	77,136	
Depreciation expense	748,916	
Utilities	5,156	
Telephone	2,781	
Administrative fees – reimbursement to general fund	6,253	
Professional fees	114,513	
Administrative fees – billing administration (Genoa Township)	11,457	
Repairs and maintenance	<u>33,819</u>	
Total operating expenses		<u>1,034,903</u>
Operating (loss)		(328,585)
NON-OPERATING REVENUES AND (EXPENSES)		
Interest income - assessments	854,121	
Interest income - financial institutions	98,883	
Interest income - mortgage	53,834	
Other income	33,242	
Interest expense - debt	(437,497)	
Agent fees - debt	(300)	
Refunds – assessments, other	(4,210)	
Amortization - bond issuance costs	<u>(3,084)</u>	
Total non-operating revenue		<u>594,989</u>
Net income		266,404
NET ASSETS, JULY 1, 2004		<u>24,127,036</u>
NET ASSETS, JUNE 30, 2005		<u>\$ 24,393,440</u>

MARION TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Cash receipts from:	
Customer usage	\$ 99,653
New user fees	112,372
Net cash from users	\$ 212,025
Cash disbursements to:	
Operating vendors	<u>(269,745)</u>
Net cash (used in) operating activities	(57,720)

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

Special assessment collections - principal	1,253,728
Special assessment collections - interest	907,955
Special assessment principal and interest due from other fund	(155,911)
Repayments on contract payable - City of Howell	(470,700)
Repayment of bond payable - principal	(250,000)
Repayment of bond contracts payable - interest	(429,393)
Agent fees	(300)
Refunds	(4,210)
Payments on bond defeasance	<u>(2,831,114)</u>
Net cash flows (used in) capital and related financing activities	(1,979,945)

CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES

Other income	33,242
Interest income - banks and investments	80,633
Investment purchases	(22,772)
Sewer infrastructure additions	<u>(14,763)</u>
Net cash flows from investing activities	<u>76,340</u>
(Decrease) in cash	(1,961,325)
Cash balance July 1, 2004	<u>3,785,658</u>
Cash balance June 30, 2005	<u>\$ 1,824,333</u>

SUPPLEMENTAL INFORMATION - NON CASH INVESTMENTS IN SEWER INFRASTRUCTURE

During the year, sewer infrastructure (collection system) increased approximately \$148,500 as a result of various developers adding sewer lines, pumps and incidentals to the Marion Township system. The developers pay for the infrastructure and once completed, transfer title to the Township. The Township is responsible for future maintenance and replacement.

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

Operating (loss)	\$ (328,585)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	748,916
Additions to system paid by others included in connection fees	(148,500)
Special assessments levied included in connection fees	(326,250)
Change in assets and liabilities:	
Receivables, net	(19,543)
Accounts and other payables	<u>16,242</u>
Net cash from (used in) operating activities	<u>\$ (57,720)</u>

The notes are an integral part of the financial statements.

MARION TOWNSHIP
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2005

Current Tax
Fund

ASSETS

Assets

Cash and cash equivalents

\$ 166,972

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to other funds

\$ 165,016

Due to others

1,956

Total liabilities

\$ 166,972

NOTES
TO
FINANCIAL
STATEMENTS

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

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 five 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 (there primary government) and do not include any other component unit within its financial statements.

The following potential component units have been evaluated under the criteria established by GASB statement number 39 and determined not to be component units based on financial independence and accountability.

1. Marion, Howell, Oceola, Genoa Sewer and Water Authority (MHOG) - Marion Township appoints two members of the Authority's eight member board. The Authority is fiscally independent from the Township. The Authority is audited as an independent entity in compliance with Public Act 2.
2. Howell Area Fire Authority - Marion Township appoints one member of the Authority's six member board. The Authority was incorporated January 1, 2002 and is audited as an independent entity in compliance with Public Act 2.

B. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

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.

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

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 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 area utility authorities.

The Water New User Fund accounts for the activity associated with the collection and subsequent disbursement of connection fees to area utility authorities.

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 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.

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

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 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.

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.

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETS AND BUDGETARY ACCOUNTING

1. A 2004 - 2005 fiscal year budget for each governmental fund was adopted by the Township Board in June of 2004. 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 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 long-term 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 are considered capital assets 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, 2005

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, 2005, the Township recognized the property taxes levied December 1, 2004 as revenue.

State Equalized Value:	\$	449,843,360
Taxable Value:	\$	341,722,952
Township Millage Rate Operations:		.84350

G. INVESTMENTS

Investments are stated at lower of cost or market.

H. CASH EQUIVALENTS

For purposes of the statement of cash flows, demand deposits and short-term investments with a maturity date of three months or less when acquired are considered to be cash equivalents.

I. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

MARION TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2005

NOTE 2 - CASH AND INVESTMENTS

State statutes authorizes the Township to invest surplus funds in certificates of deposit, savings accounts and deposit accounts with banks that are members of FDIC, savings and loan associations that are insured by the FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the 3 highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are in compliance with statutory authority.

The carrying amount of the Township's deposits with financial institutions (excluding petty cash of \$300) was \$6,059,759. At June 30, 2005, bank deposits and petty cash are classified as cash of \$3,024,431 and investments of \$3,035,361 on the financial statements. At year end, the actual deposit and investment balances amounted to \$6,054,968, of this amount \$900,625 was covered by Federal Depository Insurance Corporation (FDIC) insurance, \$500,000 of money funds was covered by Securities Investor Protection Corporation (SIPC) insurance, \$1,386,592 of money funds was covered by additional insurance provided by Citigroup, \$931,022 of Government Bonds was backed by the U.S. Treasury, and \$5,098,405 was uninsured and uncollateralized.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables of the individual funds at June 30, 2005 are as follow:

	Interfund	
	Receivable	Payable
General Fund	\$ 133,314	\$
Water System Assessment Fund	1,699	15,822
Water New User Fund	12,955	1,699
Sewer Fund	155,911	121,342
Current Tax Fund	_____	165,016
Total	\$ 303,879	\$ 303,879

MARION TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2005

NOTE 4 - CAPITAL ASSETS

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

	<u>Balance 7/01/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/05</u>
Land	\$ 89,387	\$	\$	\$ 89,387
Buildings	549,585	619,987		1,169,572
Equipment	<u>28,000</u>	<u> </u>	<u> </u>	<u>28,000</u>
Total	666,972	619,987		1,286,959
Less accumulated depreciation	<u>(279,304)</u>	<u>(25,963)</u>	<u> </u>	<u>(305,267)</u>
Net book value	<u>\$ 387,668</u>	<u>\$ 594,024</u>	<u>\$</u>	<u>\$ 981,692</u>
Construction in progress				
Township hall	<u>\$ 588,120</u>	<u>\$ 8,917</u>	<u>\$ 597,037</u>	<u>\$</u>

The governmental funds had \$25,963 of depreciation for the year ended June 30, 2005. All of this depreciation was allocated to the general government function in the government-wide financial statements.

A summary of proprietary fund fixed assets at June 30, 2005, is as follows:

	<u>Balance 7/01/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/05</u>
Sewer collection system	\$ 12,864,902	\$ 163,263	\$	\$ 13,028,165
Sewer plant	9,795,116			9,795,116
Computers, equipment, software	134,102			134,102
Land	<u>166,051</u>	<u> </u>	<u> </u>	<u>166,051</u>
Total cost	22,960,171	163,263		23,123,434
Less accumulated depreciation	<u>(2,356,980)</u>	<u>(748,916)</u>	<u> </u>	<u>(3,105,896)</u>
Net book value	<u>\$ 20,603,191</u>	<u>\$ (585,653)</u>	<u>\$</u>	<u>\$ 20,017,538</u>

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 5 - LONG-TERM DEBT

The following is a summary of the Township's debt categorized as governmental or proprietary fund for the year ended June 30, 2005:

Government Fund Contracts Payable

1. Payable to Livingston County Department of Public Works (Series C); Joint water treatment plant and water distribution system; Interest is charged at 5.25% to 5.75% per annum, payable semi-annually; Maturity is on May 2, 2016.
2. Payable to Livingston County Department of Public Works (Series D); Joint water treatment plant and water distribution system; Interest is charged at 5.12% to 8% per annum, payable semi-annually; Maturity is on June 1, 2016.
3. Payable to Livingston County Department of Public Work (Series E); Joint water treatment plant and water distribution system; Interest is charged at 5.20% to 5.375% per annum, payable semi-annually; Maturity is on June 1, 2016.
4. Payable to First National Bank for Township Hall Expansion; Interest is charged at 3.18%, payable quarterly, maturity date is September 22, 2014.

Total governmental fund long-term debt

Proprietary Long-Term Debt-Contracts Payable

1. Payable to Livingston County Department of Public Works (Series 1997A); Sewer plant and collection system; Interest is charged at 5% to 5.5% per annum, payable semi-annually; Maturity date is on June 1, 2017. This bond was defeased through an advance refunding.
2. Payable to Livingston County Department of Public Works (Series 1999); Sewer plant and collection system; Interest is charged at 4.5% to 5.215% per annum, payable semi-annually; Maturity date is on June 1, 2019. This bond was defeased through an advance refunding.
3. Payable to J.P. Morgan Securities, Inc., refunding bond, general obligation limited tax bond, Series 2005, payable in annual installments of \$115,000 to \$1,210,000 through 2019, interest varying from 3.50% to 4.20%.

Total proprietary long-term debt

Total Township long-term debt

<u>Balance 7-1-04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6-30-05</u>
\$ 2,050,000	\$	\$ 175,000	\$ 1,875,000
797,224		35,187	762,037
510,417		22,223	488,194
<u>180,658</u>	<u> </u>	<u>10,512</u>	<u>170,146</u>
<u>3,538,299</u>	<u> </u>	<u>242,922</u>	<u>3,295,377</u>
3,275,000		3,275,000	
	13,525,000	250,000	13,275,000
<u>12,270,000</u>	<u> </u>	<u>12,270,000</u>	<u> </u>
<u>15,545,000</u>	<u>13,525,000</u>	<u>15,795,000</u>	<u>13,275,000</u>
<u>\$ 19,083,299</u>	<u>\$ 13,525,000</u>	<u>\$ 16,037,922</u>	<u>\$ 16,570,377</u>

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 5 - LONG-TERM DEBT - continued

The following is a schedule of principal and interest payments to service the long-term debt of the Township:

	Governmental Fund Long-Term Debt Contracts Payable	
	Principal	Interest
		\$
2005 - 2006	248,463	178,828
2006 - 2007	298,987	165,882
2007 - 2008	305,767	150,171
2008 - 2009	306,336	133,917
2009 - 2010	306,913	117,480
2010 - 2015	1,577,753	240,541
2015 - 2016	251,158	14,148
Total	\$ 3,295,377	\$ 1,000,967

	Proprietary Fund Long-Term Debt Bonds Payable	
	Principal	Interest
		\$
2005 - 2006	115,000	515,195
2006 - 2007	120,000	511,170
2007 - 2008	1,115,000	506,910
2008 - 2009	1,110,000	466,770
2009 - 2010	1,150,000	425,145
2010 - 2015	5,865,000	1,468,380
2015 - 2019	3,800,000	341,673
Total	\$ 13,275,000	\$ 4,235,243

	Total	
	Principal	Interest
		\$
2005 - 2006	363,463	694,023
2006 - 2007	418,987	677,052
2007 - 2008	1,420,767	657,081
2008 - 2009	1,416,336	600,687
2009 - 2010	1,456,913	542,625
2010 - 2015	7,442,753	1,708,921
2015 - 2019	4,051,158	355,821
Total	\$ 16,570,377	\$ 5,236,210

MARION TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2005

NOTE 6 - SEGMENT INFORMATION - ENTERPRISE FUND

The following represents segment information for the enterprise fund:

Net income	\$ 266,404
Total assets	38,304,120
Working capital	2,226,707
Total liabilities	13,910,680
Total equity	24,393,440
Net changes in cash and cash equivalents	(1,961,325)

NOTE 7 - PENSION PLAN

The Township has adopted the John Hancock "New Dimensions" Pension Plan for Michigan Township employees. All elected/appointed officials and employees averaging 20 or more hours a week are eligible for participation in this single-employer plan. The Township contributes 8.0% of compensation. The employee may also voluntarily contribute up to 10% of after-tax compensation. The Township's payroll for employees covered by the plan for the year ended June 30, 2005 was \$273,013 total payroll for the year was \$304,186.

TOTAL CURRENT YEAR EMPLOYER CONTRIBUTIONS	<u>\$ 21,841</u>
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NOTE 8 - SIGNIFICANT CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Township to concentrations of credit risk consist principally of cash and investments. Risk associated with cash and investments is disclosed in Note 2.

NOTE 9 - STATEMENT OF CASH FLOWS - ENTERPRISE FUND

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 indirect 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 enterprise fund:

	<u>7/01/04</u>	<u>6/30/05</u>
Current assets		
Cash and cash equivalents	<u>\$ 3,785,658</u>	<u>\$ 1,824,333</u>

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 10 - COMMITMENTS AND CONTINGENCIES

A. The Township is involved in significant legal proceedings as a defendant. The plaintiff is a development company which owns land in the sewer district. The proceedings are related to sewer special assessments. The plaintiff claims include the following:

- procedural deficiencies in the creation of special assessment districts for sewer improvements;
- and the assessment is disproportionate to the benefit to the plaintiff's property from the sewer improvement.

The total sewer assessment on the plaintiff's property is approximately \$3.3 million. The plaintiff feels the assessment is approximately three times greater than it should be. Thus, the plaintiff could be seeking a reduction in its assessment upward to \$2 million.

Management believes the likelihood of an unfavorable outcome to the Township is less than 50%.

B. The Township is currently involved in several other disputes related to various matters. Some of these disputes could result in costs to the township. An estimate of the costs could not be made as of the report date.

NOTE 11 - ECONOMIC CONCENTRATION OF RISK

The Township's sewer system had only 588 customers connected and being billed as of June 30, 2005. The sewer fund had an operating loss of \$166,791 (after subtracting connection fees and adding back depreciation expense) for the year ended June 30, 2005. However, the Township needs to have approximately 880 customers connected and being billed to break-even at the current rates.

MARION TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 12 - REFUNDING BONDS ISSUED

On May 3, 2005 the Township issued \$13,525,000 in sanitary sewer refunding bonds with interest rates ranging from 3.50% and 4.20%. The Township used the bonds to advance refund \$3,275,000 of the 1997A series sanitary sewer bonds and \$12,270,000 of the 1999 series sanitary sewer bonds with interest rates of 5.0% and 4.625% respectively. The Township used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portions of the 1997A series and 1999 series bonds is considered defeased, and the Township has removed the liabilities from its accounts.

The outstanding principal of the defeased bonds are \$3,075,000 on the 1997A series bonds and \$11,620,000 on the 1999 series bonds at June 30, 2005.

The advance refundings reduced total debt service payments over next fourteen years by nearly \$3,765,000. This results in an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$535,000.

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, 2005

	<u>Budgets</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$	\$	\$ 293,343	\$
Licenses and permits			88,139	
State shared revenues			454,043	
Charges for services			133,344	
Other revenues			<u>59,472</u>	
Total revenues	1,002,723	1,036,493	1,028,341	(8,152)
EXPENDITURES	<u>990,104</u>	<u>980,879</u>	<u>862,408</u>	<u>118,471</u>
Excess of revenues over (under) expenditures	12,619	55,614	165,933	110,319
OTHER FINANCING (USES)				
Transfers (out)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	
Excess of revenues over (under) expenditures and other financing sources (uses)	(12,381)	30,614	140,933	110,319
FUND BALANCE, JULY 1, 2004	<u>1,109,173</u>	<u>1,109,173</u>	<u>1,109,173</u>	
FUND BALANCE, JUNE 30, 2005	<u>\$ 1,096,792</u>	<u>\$ 1,139,787</u>	<u>\$ 1,250,106</u>	<u>\$ 110,319</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, 2005

	<u>Budgets</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Special assessments - principal	\$ 335,000	\$ 335,000	\$ 326,433	\$ (8,567)
Special assessments - interest	265,000	265,000	224,212	(40,788)
Interest income	<u>10,000</u>	<u>10,000</u>	<u>24,523</u>	<u>14,523</u>
Total revenues	<u>610,000</u>	<u>610,000</u>	<u>575,168</u>	<u>(34,832)</u>
EXPENDITURES				
Debt - principal			232,408	
Debt - interest			187,022	
Agent fees			<u>481</u>	
Total expenditures	<u>503,000</u>	<u>503,000</u>	<u>419,911</u>	<u>83,089</u>
Excess of revenues over (under) expenditures	107,000	107,000	155,257	48,257
OTHER FINANCING (USES)				
Transfer (out)	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(950,000)</u>	<u>50,000</u>
Excess of revenues over (under) expenditures and other financing (uses)	(893,000)	(893,000)	(794,743)	98,257
FUND BALANCE, JULY 1, 2004	<u>1,671,472</u>	<u>1,671,472</u>	<u>1,671,472</u>	
FUND BALANCE, JUNE 30, 2005	<u>\$ 778,472</u>	<u>\$ 778,472</u>	<u>\$ 876,729</u>	<u>\$ 98,257</u>

SUPPLEMENTARY
INFORMATION

COMBINING
FINANCIAL
STATEMENTS

MARION TOWNSHIP
 ALL SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2005

	<u>Cemetery Fund</u>	<u>Recreation Fund</u>
<u>ASSETS</u>		
Assets		
Cash	\$ 14,996	\$ 128,415
Due from other funds		
Note receivable - water new user		
Special assessments receivable		
	<hr/>	<hr/>
Total assets	<u>\$ 14,996</u>	<u>\$ 128,415</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
LIABILITIES		
Accounts payable	\$ 2,100	\$
Due to other funds		
Deferred revenue		
	<hr/>	<hr/>
Total liabilities	2,100	
FUND BALANCE	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ 14,996</u>	<u>\$ 128,415</u>

<u>Loves Creek Fund</u>	<u>Road Paving Assessment Fund</u>	<u>Water System Assessment Fund</u>	<u>Totals</u>
\$ 6,598	\$ 62,435	\$ 865,473	\$ 1,077,917
		12,955	12,955
		950,000	950,000
	<u>3,100</u>	<u>2,688,952</u>	<u>2,692,052</u>
<u>\$ 6,598</u>	<u>\$ 65,535</u>	<u>\$ 4,517,380</u>	<u>\$ 4,732,924</u>

\$	\$	\$	\$ 2,100
		1,699	1,699
	<u>3,100</u>	<u>3,638,952</u>	<u>3,642,052</u>
	3,100	3,640,651	3,645,851
<u>6,598</u>	<u>62,435</u>	<u>876,729</u>	<u>1,087,073</u>
<u>\$ 6,598</u>	<u>\$ 65,535</u>	<u>\$ 4,517,380</u>	<u>\$ 4,732,924</u>

MARION TOWNSHIP
 ALL SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Cemetery Fund</u>	<u>Recreation Fund</u>	<u>Loves Creek Fund</u>
REVENUES			
Special assessments - principal	\$	\$	\$ 8,127
Special assessments - interest			
Service charges	7,000		
Interest income	36	729	7
Other income	<u>14</u>	<u> </u>	<u> </u>
Total revenues	<u>7,050</u>	<u>729</u>	<u>8,134</u>
EXPENDITURES			
Construction and maintenance	13,247		3,066
Debt - principal			
Debt - interest			
Agent fees	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>13,247</u>	<u> </u>	<u>3,066</u>
Excess of revenues over (under) expenditures	<u>(6,197)</u>	<u>729</u>	<u>5,068</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		25,000	
Transfers (out)	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	<u> </u>	<u>25,000</u>	<u> </u>
Excess of revenues over (under) expenditures and other financing sources (uses)	(6,197)	25,729	5,068
FUND BALANCE, JULY 1, 2004	<u>19,093</u>	<u>102,686</u>	<u>1,530</u>
FUND BALANCE, JUNE 30, 2005	<u>\$ 12,896</u>	<u>\$ 128,415</u>	<u>\$ 6,598</u>

<u>Road Paving Assessment Fund</u>	<u>Water System Assessment Fund</u>	<u>Totals</u>
\$ 8,609	\$ 326,433	\$ 343,169
937	224,212	225,149
		7,000
342	24,523	25,637
<u>176</u>	<u> </u>	<u>190</u>
<u>10,064</u>	<u>575,168</u>	<u>601,145</u>
		16,313
	232,408	232,408
	187,022	187,022
<u> </u>	<u>481</u>	<u>481</u>
	419,911	436,224
<u>10,064</u>	<u>155,257</u>	<u>164,921</u>
		25,000
<u> </u>	<u>(950,000)</u>	<u>(950,000)</u>
	(950,000)	(925,000)
10,064	(794,743)	(760,079)
<u>52,371</u>	<u>1,671,472</u>	<u>1,847,152</u>
<u>\$ 62,435</u>	<u>\$ 876,729</u>	<u>\$ 1,087,073</u>

INDIVIDUAL
FUNDS

GENERAL
FUND

MARION TOWNSHIP
GENERAL FUND
BALANCE SHEET
JUNE 30, 2005

ASSETS

ASSETS

Cash	\$ 1,047,051
Accounts receivable – state	148,475
Notes receivable	49,947
Due from others	7,756
Due from other funds	<u>133,314</u>

Total assets \$ 1,386,543

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 15,808
Escrows due to developers	47,513
Accrued wages	23,169
Deferred revenue	<u>49,947</u>

Total liabilities \$ 136,437

FUND BALANCE

1,250,106

Total liabilities and fund balance \$ 1,386,543

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 287,583	\$ 293,343	\$ 5,760
Special assessments	20,000		(20,000)
Licenses and permits	88,661	88,139	(522)
State shared revenues	458,600	454,043	(4,557)
Charges for services	123,478	133,344	9,866
Other revenues	<u>58,171</u>	<u>59,472</u>	<u>1,301</u>
Total revenues	1,036,493	1,028,341	(8,152)
EXPENDITURES	<u>980,879</u>	<u>862,408</u>	<u>118,471</u>
Excess of revenues over (under) expenditures	55,614	165,933	110,319
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(25,000)</u>	<u>(25,000)</u>	<u> </u>
Excess of revenues over (under) expenditures and other financing sources (uses)	30,614	140,933	110,319
FUND BALANCE, JULY 1, 2004	<u>1,109,173</u>	<u>1,109,173</u>	<u> </u>
FUND BALANCE, JUNE 30, 2005	<u>\$ 1,139,787</u>	<u>\$ 1,250,106</u>	<u>\$ 110,319</u>

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
PROPERTY TAXES	\$ 287,583	\$ 293,343	\$ 5,760
SPECIAL ASSESSMENTS	20,000		(20,000)
LICENSES AND PERMITS			
Park pass permits		500	
Licenses, fees, permits		25,102	
Cable franchise fees		62,537	
Total licenses and permits	88,661	88,139	(522)
STATE SHARED REVENUES	458,600	454,043	(4,557)
CHARGES FOR SERVICES			
Meeting fees		6,199	
Tax collection administration		125,032	
Other		2,113	
Total charges for services	123,478	133,344	9,866
OTHER REVENUES			
Printing and publications		1,336	
Interest income		9,555	
Fire station lease		19,658	
Cell tower lease		18,000	
Miscellaneous		3,167	
Metro act		7,756	
Total other revenues	58,171	59,472	1,301
Total revenues	\$ 1,036,493	\$ 1,028,341	\$ (8,152)

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
TOWNSHIP BOARD			
Salaries	\$	\$ 16,910	\$
Meetings and seminars		40	
Membership dues		4,871	
Mileage		8	
Printing and publications		4,435	
Tax chargebacks		<u>582</u>	
Total township board	<u>28,532</u>	<u>26,846</u>	<u>1,686</u>
SUPERVISOR			
Salary		29,504	
Meetings and seminars		<u>195</u>	
Total supervisor	<u>30,439</u>	<u>29,699</u>	<u>740</u>
PUBLIC WORKS			
Salary		12,506	
NPDES Phase II		7,445	
Mileage		147	
West Nile		265	
Miscellaneous		<u>380</u>	
Total public works	<u>22,500</u>	<u>20,743</u>	<u>1,757</u>
ELECTIONS			
Salaries		9,990	
Supplies		11,094	
Printing and publications		2,747	
Mileage		71	
Miscellaneous		<u>288</u>	
Total elections	<u>19,000</u>	<u>24,190</u>	<u>(5,190)</u>
PROFESSIONAL FEES			
Audit fees		9,000	
Accounting services		4,245	
Payroll services		2,444	
Software support		1,000	
Engineering fees		<u>22,943</u>	
Total professional fees	<u>36,200</u>	<u>39,632</u>	<u>(3,432)</u>

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
ASSESSOR			
Salaries	\$	\$ 28,665	\$
Deputy assessor		22,361	
Consultant		11,739	
Dues and memberships		225	
Training and seminars		1,773	
Supplies		1,167	
Mileage		184	
Miscellaneous		270	
Total assessor	69,500	66,384	3,116
ATTORNEYS	45,000	27,846	17,154
CLERK			
Salary		29,504	
Salary deputy and assistant		24,380	
Mileage		518	
Training and seminars		1,596	
Supplies		1,504	
Total clerk	59,604	57,502	2,102
BOARD OF REVIEW			
Salaries		2,908	
Supplies and publications		304	
Total board of review	4,500	3,212	1,288
TREASURER			
Salary		29,504	
Salary - deputy		28,088	
Salary - assistant		364	
Mileage		862	
Miscellaneous		130	
Total treasurer	60,204	58,948	1,256

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
UNALLOCATED			
Salaries - secretary	\$	\$ 22,666	\$
Salaries - custodial		5,512	
Payroll taxes		23,654	
Insurance - health		56,811	
Insurance - general		51,088	
Pension		20,236	
Trash removal		209	
Supplies		6,399	
Equipment - maintenance		2,769	
Postage		4,415	
Grounds maintenance		6,200	
Buildings maintenance		2,303	
Telephone		4,180	
Utilities		6,581	
Internet		549	
Tax roll preparation		11,308	
Miscellaneous		5,037	
	<u> </u>	<u> </u>	<u> </u>
Total unallocated	<u>247,150</u>	<u>229,917</u>	<u>17,233</u>
CEMETERY			
Salary - Sexton	<u>6,000</u>	<u>6,000</u>	<u> </u>
ZONING ADMINISTRATOR			
Salary		29,487	
Miscellaneous		701	
Mileage		906	
	<u> </u>	<u> </u>	<u> </u>
Total zoning administrator	<u>41,000</u>	<u>31,094</u>	<u>9,906</u>

MARION TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
PLANNING COMMISSION			
Salaries	\$	\$ 12,822	\$
Professional fees		15,177	
Training		788	
Printing and publications		3,906	
Miscellaneous		<u>38</u>	
Total planning commission	<u>36,700</u>	<u>32,731</u>	<u>3,969</u>
ZONING BOARD OF APPEALS			
Salaries		5,453	
Printing and publications		1,483	
Miscellaneous		<u>172</u>	
Total zoning board of appeals	<u>7,850</u>	<u>7,108</u>	<u>742</u>
DRAINS	<u>2,500</u>	<u>1,250</u>	<u>1,250</u>
ROADS			
Road maintenance		27,154	
Dust control		<u>55,195</u>	
Total roads	<u>130,000</u>	<u>82,349</u>	<u>47,651</u>
RECREATION	<u>72,200</u>	<u>66,598</u>	<u>5,602</u>
BUILDING IMPROVEMENT			
Capital outlay - building improvements		32,283	
Capital outlay - equipment		2,066	
Debt service - principal		10,512	
Debt service - interest		<u>5,498</u>	
Total building improvement	<u>62,000</u>	<u>50,359</u>	<u>11,641</u>
Total expenditures	<u>\$ 980,879</u>	<u>\$ 862,408</u>	<u>\$ 118,471</u>

CEMETERY
FUND

MARION TOWNSHIP
CEMETERY FUND
BALANCE SHEET
JUNE 30, 2005

ASSETS

ASSETS
Cash

\$ 14,996

LIABILITIES AND FUND BALANCE

LIABILITIES
Accounts payable

\$ 2,100

FUND BALANCE

12,896

Total liabilities and fund balance

\$ 14,996

MARION TOWNSHIP
CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Service charges	\$ 5,000	\$ 7,000	\$ 2,000
Interest	50	36	14
Other income	<u> </u>	<u>14</u>	<u>(14)</u>
Total revenues	5,050	7,050	2,000
EXPENDITURES			
Maintenance	<u>12,200</u>	<u>13,247</u>	<u>(1,047)</u>
Excess of revenues over (under) expenditures	(7,150)	(6,197)	953
FUND BALANCE, JULY 1, 2004	<u>19,093</u>	<u>19,093</u>	<u> </u>
FUND BALANCE, JUNE 30, 2005	<u>\$ 11,943</u>	<u>\$ 12,896</u>	<u>\$ 953</u>

RECREATION
FUND

MARION TOWNSHIP
RECREATION FUND
BALANCE SHEET
JUNE 30, 2005

ASSETS

ASSETS
Cash

\$ 128,415

FUND BALANCE

FUND BALANCE

\$ 128,415

MARION TOWNSHIP
RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Interest income	\$ 500	\$ 729	\$ 229
EXPENDITURES			
Capital outlay	<u>40,000</u>	<u> </u>	<u>40,000</u>
Excess of revenues over (under) expenditures	(39,500)	729	40,229
OTHER FINANCING SOURCES			
Transfers in	<u>25,000</u>	<u>25,000</u>	<u> </u>
Excess of revenues over (under) expenditures and other financing sources	(14,500)	25,729	40,229
FUND BALANCE, JULY 1, 2004	<u>102,686</u>	<u>102,686</u>	<u> </u>
FUND BALANCE, JUNE 30, 2005	<u>\$ 88,186</u>	<u>\$ 128,415</u>	<u>\$ 40,229</u>

LOVES CREEK
FUND

MARION TOWNSHIP
LOVES CREEK FUND
BALANCE SHEET
JUNE 30, 2005

ASSETS

ASSETS
Cash

\$ 6,598

FUND BALANCE

FUND BALANCE

\$ 6,598

MARION TOWNSHIP
 LOVES CREEK FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Special assessments - principal	\$ 4,000	\$ 8,127	\$ 4,127
Interest income	<u>100</u>	<u>7</u>	<u>(93)</u>
Total revenues	4,100	8,134	4,034
EXPENDITURES			
Maintenance	<u>4,000</u>	<u>3,066</u>	<u>934</u>
Excess of revenues over (under) expenditures	100	5,068	4,968
FUND BALANCE, JULY 1, 2004	<u>1,530</u>	<u>1,530</u>	<u> </u>
FUND BALANCE, JUNE 30, 2005	<u><u>\$ 1,630</u></u>	<u><u>\$ 6,598</u></u>	<u><u>\$ 4,968</u></u>

ROAD PAVING
ASSESSMENT
FUND

MARION TOWNSHIP
ROAD PAVING ASSESSMENT FUND
BALANCE SHEET
JUNE 30, 2005

ASSETS

ASSETS

Cash	\$ 62,435
Special assessments receivable - Schroeder Dr.	<u>3,100</u>
Total assets	<u>\$ 65,535</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred revenue - Schroeder Dr.	\$ 3,100
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FUND BALANCE

	<u>62,435</u>
Total liabilities and fund balance	<u>\$ 65,535</u>

MARION TOWNSHIP
ROAD PAVING ASSESSMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Special assessments - principal	\$ 13,000	\$ 8,609	\$ (4,391)
Special assessments - interest		937	937
Interest income	500	342	(158)
Other income		<u>176</u>	<u>176</u>
Total revenues	13,500	10,064	(3,436)
EXPENDITURES			
Road maintenance	<u>20,000</u>		<u>20,000</u>
Excess of revenues over (under) expenditures	(6,500)	10,064	16,564
FUND BALANCE, JULY 1, 2004	<u>52,371</u>	<u>52,371</u>	
FUND BALANCE, JUNE 30, 2005	<u>\$ 45,871</u>	<u>\$ 62,435</u>	<u>\$ 16,564</u>

WATER SYSTEM
ASSESSMENT
FUND

MARION TOWNSHIP
WATER SYSTEM ASSESSMENT FUND
BALANCE SHEET
JUNE 30, 2005

ASSETS

ASSETS

Cash	\$ 865,473
Special assessments and mortgage receivable	2,688,952
Due from other funds	12,955
Note receivable - water new user	<u>950,000</u>

Total assets \$ 4,517,380

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred revenue - special assessments and mortgage receivable	\$ 2,688,952
Deferred revenue - water new user	950,000
Due to other funds	<u>1,699</u>

Total liabilities \$ 3,640,651

FUND BALANCE

876,729

Total liabilities and fund balance \$ 4,517,380

MARION TOWNSHIP
WATER SYSTEM ASSESSMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Special assessments - principal	\$ 335,000	\$ 326,433	\$ (8,567)
Special assessments - interest	265,000	224,212	(40,788)
Interest income	<u>10,000</u>	<u>24,523</u>	<u>14,523</u>
Total revenues	<u>610,000</u>	<u>575,168</u>	<u>(34,832)</u>
EXPENDITURES			
Debt - principal		232,408	
Debt - interest		187,022	
Agent fees		<u>481</u>	
Total expenditures	<u>503,000</u>	<u>419,911</u>	<u>83,089</u>
Excess of revenues over (under) expenditures	107,000	155,257	48,257
OTHER FINANCING (USES)			
Transfer (out)	<u>(1,000,000)</u>	<u>(950,000)</u>	<u>50,000</u>
Excess of revenues over (under) expenditures and other financing (uses)	(893,000)	(794,743)	98,257
FUND BALANCE, JULY 1, 2004	<u>1,671,472</u>	<u>1,671,472</u>	
FUND BALANCE, JUNE 30, 2005	<u>\$ 778,472</u>	<u>\$ 876,729</u>	<u>\$ 98,257</u>

WATER
NEW USER
FUND

MARION TOWNSHIP
WATER NEW USER FUND
BALANCE SHEET
JUNE 30, 2005

ASSETS

ASSETS

Cash	\$	57,988
Special assessments receivable - unbonded		1,548,605
Due from other funds		<u>1,699</u>
Total assets	\$	<u>1,608,292</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred revenue - unbonded	\$	1,548,605
Due to other funds		15,822
Due to others		<u>1,060</u>

Total liabilities \$ 1,565,487

FUND BALANCE

42,805

Total liabilities and fund balance \$ 1,608,292

MARION TOWNSHIP
WATER NEW USER FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

REVENUES		
New user fees	\$ 63,898	
Special assessments - principal	133,650	
Special assessments - interest	123,745	
Interest income	3,619	
Other income	<u>6,355</u>	
Total revenues		\$ 331,267
EXPENDITURES		
Administration fees	6,253	
Construction	1,500,000	
Professional fees	<u>3,315</u>	
Total expenditures		<u>1,509,568</u>
Excess of revenues over (under) expenditures		(1,178,301)
OTHER FINANCING SOURCES		
Transfer in		<u>950,000</u>
Excess of revenues over (under) expenditures and other financing sources		(228,301)
FUND BALANCE, JULY 1, 2004		<u>271,106</u>
FUND BALANCE, JUNE 30, 2005		<u><u>\$ 42,805</u></u>

SEWER
FUND

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

	<u>6-30-05</u>	<u>6-30-04</u>	<u>6-30-03</u>	<u>6-30-02</u>
REVENUE				
User charges – quarterly charges for usage	\$ 119,196	\$ 82,997	\$ 51,546	\$ 26,503
EXPENSES				
Contract labor	34,872	34,176	29,014	21,468
Sewer usage fee	77,136	76,128	67,525	64,962
Utilities	5,156	4,715	4,845	4,350
Telephone	2,781	2,789	2,785	2,751
Administrative fees – reimbursement to general fund	6,253	8,059	10,947	2,615
Administrative fees – billing admin. (Genoa Twp.)	11,457	12,134	5,745	2,935
Professional fees	11,532	5,485	1,560	3,500
Repairs and maintenance	<u>33,819</u>	<u>14,109</u>	<u> </u>	<u> </u>
Total expenses	<u>183,006</u>	<u>157,595</u>	<u>122,421</u>	<u>102,581</u>
Net operating (loss)	<u>\$ (63,810)</u>	<u>\$ (74,598)</u>	<u>\$ (70,875)</u>	<u>\$ (76,078)</u>

This schedule is prepared to present revenues and expenses related to current operations only (excludes tap-in fees and depreciation) and as such does not present the results of operations on the basis of generally accepted accounting principles but is presented for supplemental information.

MARION TOWNSHIP
SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS –
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
User charges	\$ 85,000	\$ 119,196	\$ 34,196
Interest income – assessments	875,000	854,121	(20,879)
Interest income – bank	50,000	98,883	48,883
Interest income - mortgage		53,834	53,834
Connection fees - developer contributions		148,500	148,500
Connection fees	20,000	438,622	418,622
Other income	<u>2,000</u>	<u>33,242</u>	<u>31,242</u>
Total revenues	<u>1,032,000</u>	<u>1,746,398</u>	<u>714,398</u>
EXPENSES			
Amortization - bond issuance costs		3,084	(3,084)
Debt-interest expense	800,000	437,497	362,503
Maintenance of system (contract labor)	45,000	34,872	10,128
Administrative fees – billing admin.	10,000	11,457	(1,457)
Professional fees	75,000	114,513	(39,513)
Administrative fees – reimbursement to general fund	12,650	6,253	6,397
Supplies/fees	1,000		1,000
Repairs and maintenance	15,000	33,819	(18,819)
Utilities	7,000	5,156	1,844
Sewer usage	80,000	77,136	2,864
Depreciation		748,916	(748,916)
Telephone	3,000	2,781	219
Other	<u>7,500</u>	<u>4,510</u>	<u>2,990</u>
Total expenses	<u>1,056,150</u>	<u>1,479,994</u>	<u>(423,844)</u>
NET REVENUES AND EXPENSES	(24,150)	266,404	
BEGINNING RETAINED EARNINGS	<u>24,127,036</u>	<u>24,127,036</u>	
ENDING RETAINED EARNINGS	<u>\$ 24,102,886</u>	<u>\$ 24,393,440</u>	<u>\$ 290,554</u>

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

MARION TOWNSHIP
SEWER FUND
STATEMENT OF CHANGES IN FUND EQUITY
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Retained Earnings Reserved</u>	<u>Retained Earnings (Deficit) Unreserved</u>	<u>Total</u>
BALANCES, JULY 1, 2004	\$ 24,348,587	\$ (221,551)	\$ 24,127,036
Operating (loss) excluding connection fees and depreciation expense		(166,791)	(166,791)
Allocation of professional fees	(102,981)	102,981	
Connection fees	587,122		587,122
Depreciation (expense)	(748,916)		(748,916)
Interest income	1,006,838		1,006,838
Other income - assessment penalties	26,250		26,250
Interest (expense) - debt	(437,497)		(437,497)
Agent (fees) - debt	(300)		(300)
Refunds - assessments (expense)	(4,210)		(4,210)
Unrealized (gain) on investments	123		123
Realized gain on investments	4,432		4,432
Amortization - bond issuance costs	(3,084)		(3,084)
Miscellaneous	<u>2,437</u>		<u>2,437</u>
BALANCES, JUNE 30, 2005	<u>\$ 24,678,801</u>	<u>\$ (285,361)</u>	<u>\$ 24,393,440</u>

MARION TOWNSHIP
SEWER FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		\$ (328,585)
Operating (loss)		
Adjustments to operating income		
Depreciation	\$ 748,916	
Additions to system paid by developers and others included in connection fees	(148,500)	
Special assessment levied and included in connection fees	(326,250)	
Changes in assets and liabilities		
(Increase) in accounts receivable	(19,543)	
(Decrease) in accounts payable	(12,546)	
Increase in due to other funds	<u>28,788</u>	
Total adjustments		<u>270,865</u>
Net cash (used in) operating activities		(57,720)
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES		
Special assessment collections - principal	1,253,728	
Special assessment collections - interest	907,955	
Special assessment principal and interest due from other fund	(155,911)	
Repayments on contract payable - City of Howell	(470,700)	
Repayment of contracts payable - principal	(250,000)	
Repayment of contracts payable - interest	(429,393)	
Agent fees	(300)	
Refunds	(4,210)	
Payments on bond defeasance	<u>(2,831,114)</u>	
Net cash flows (used in) capital and related financing activities		(1,979,945)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Other income	33,242	
Interest income - bank and investments	80,633	
Investment purchases	(22,772)	
Sewer infrastructure additions	<u>(14,763)</u>	
Net cash flows from investing activities		<u>76,340</u>
(Decrease) in cash		(1,961,325)
Cash balance July 1, 2004		<u>3,785,658</u>
Cash balance June 30, 2005		<u>\$ 1,824,333</u>

CURRENT
TAX
FUND

MARION TOWNSHIP
CURRENT TAX FUND
BALANCE SHEET
JUNE 30, 2005

ASSETS

ASSETS
Cash

\$ 166,972

LIABILITIES

LIABILITIES
Due to other funds
Due to others

\$ 165,016
1,956

Total liabilities

\$ 166,972



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

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

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

November 4, 2005

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

Honorable Board of Trustees:

During our audit fieldwork for the year ending June 30, 2005 we came across a few items we would like to discuss with you.

1. The Township's policies handbook is not clear regarding retiree health benefits as to who actually pays premiums (is it a township expense or retiree expense). The handbook should be reviewed for better wording to give a clear understanding of which party is responsible for the premiums.

If the Township is responsible for the health premiums of certain retirants there will be more accounting requirements under GASB 45 in the year 2009.

2. The Township currently maintains all escrow funds as part of its general fund. We recommend the Township maintain a separate fiduciary fund for all escrows to keep a clearer accounting of these funds.
3. The Township had several interfund receivables and payables at June 30, 2005. We recommend these be paid as soon as possible.

4. The Township's sewer Operations and Maintenance Fund has accumulated significant losses over the past four years which total over \$285,000 as follows:

<u>Year Ending</u>	<u>Loss</u>
June 30, 2002	\$ 76,078
June 30, 2003	70,875
June 30, 2004	74,598
June 30, 2005	<u>63,810</u>
	<u>\$ 285,361</u>

The Township should consider evaluating its rates once again (as done last year).

We would like to thank the township officials and employees that assisted us during the audit process for their cooperation.

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

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

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants.