

**MARION TOWNSHIP**  
**Report on Audit of Financial Statements**  
**For the Year Ended June 30, 2011**

**MARION TOWNSHIP**

**TOWNSHIP OFFICIALS**

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

**BOARD OF TRUSTEES**

Robert Hanvey  
Tammy Beal  
Paula Wyckoff  
Daniel Lowe  
Scott Lloyd  
Les Andersen  
Travis Hodge

**TOWNSHIP ATTORNEYS**

Michael J. Kehoe, P.C.

**TOWNSHIP AUDITORS**

Pfeffer, Hanniford & Palka  
Certified Public Accountants

## TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	
<b>MANAGEMENT DISCUSSION AND ANALYSIS</b>	7
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENTAL-WIDE FINANCIAL STATEMENTS</b>	
Statement of Net Assets	14
Statement of Activities	15
<b>FUND FINANCIAL STATEMENTS</b>	
Balance Sheet - Governmental Funds	17
Reconciliation of Fund Balances of Governmental Funds to the Statement of Net Assets	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Assets - Proprietary Fund - Sewer Fund	21
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund - Sewer Fund	22
Statement of Cash Flows - Proprietary Fund - Sewer Fund	23
Statement of Assets and Liabilities - Fiduciary Funds	24
<b>NOTES TO FINANCIAL STATEMENTS</b>	26
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>GENERAL FUND</b>	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	46
<b>WATER SYSTEM ASSESSMENT FUND</b>	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	47
<b>NOTES TO REQUIRED SUPPLEMENTARY INFORMATION</b>	49
<b><u>SUPPLEMENTAL INFORMATION</u></b>	
<b>COMBINING FINANCIAL STATEMENTS</b>	
All Funds Included in GASB 54 Consolidation - Combining Balance Sheet	52
All Special Revenue Funds - Combining Balance Sheet	53
All Funds Included in GASB 54 General Fund Consolidation - Combining Statement of Revenues, Expenditures and Changes in Fund Balances	54
All Special Revenue Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balances	55

## TABLE OF CONTENTS

### PAGE NUMBER

#### INDIVIDUAL FUNDS

##### **GENERAL FUND**

Pre GASB 54 - Restatement - Balance Sheet	58
Pre GASB 54 - Restatement - Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	59
Statement of Revenues - Budget and Actual	60
Statement of Expenditures - Budget and Actual	61

##### **CEMETERY FUND**

Balance Sheet	66
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	67

##### **RECREATION FUND**

Balance Sheet	69
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	70

##### **WATER SYSTEM ASSESSMENT FUND**

Balance Sheet	72
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	73

##### **ASSESSMENT REVOLVING PROJECT FUND**

Balance Sheet	75
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	76

##### **WATER NEW USER FUND**

Balance Sheet	78
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	79

##### **SEWER FUND**

Statement of Revenues and Expenses for Operations Only	81
Statement of Revenues, Expenses and Changes in Net Assets - Budget and Actual	82
Statement of Changes in Net Assets	83

##### **ESCROW FUND**

Balance Sheet	85
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##### **FLEXIBLE MEDICAL SAVINGS FUND**

Balance Sheet	87
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**PFEFFER ■ HANNIFORD ■ PALKA**  
*Certified Public Accountants*

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*AICPA Private Practice Companies Section*  
*MACPA*

October 25, 2011

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, 2011, which collectively comprise Marion Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Marion Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion Township, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 11 and 46 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marion Township's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining and individual fund statements, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Pfeffer, Hanniford & Palka, P.C.*

PFEFFER, HANNIFORD & PALKA  
Certified Public Accountants

**MANAGEMENT DISCUSSION AND ANALYSIS**

## **Management Discussion and Analysis** **June 30, 2011**

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Within this section of Marion Township's annual financial report, the Township's management is providing a narrative discussion and analysis of the financial activities of the Township for the fiscal year ended June 30, 2011. 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 it's relation to net assets.

**Proprietary funds** are reported in the fund financial statements and are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Fiduciary funds** are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Township activities.

#### **Notes to the financial statements**

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

#### **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

#### **Financial Analysis of the Township as a Whole**

The Township's net assets at the end of the fiscal year were \$36,804,598. This is a \$691,142 decrease over last year's net assets of \$37,495,740.



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

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2010</u>	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2010</u>	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2010</u>
<b><u>ASSETS</u></b>						
<b>ASSETS</b>						
Current and other assets	\$ 16,977,143	\$ 17,125,296	\$ 12,051,147	\$ 13,342,629	\$ 29,028,290	\$ 30,467,925
Capital assets	1,158,524	1,197,883	16,970,930	17,621,784	18,129,454	18,819,667
<b>Total assets</b>	<u>18,135,667</u>	<u>18,323,179</u>	<u>29,022,077</u>	<u>30,964,413</u>	<u>47,157,744</u>	<u>49,287,592</u>
<b><u>LIABILITIES</u></b>						
<b>LIABILITIES</b>						
Other liabilities	228,648	146,583	103,096	166,366	331,744	312,949
Bonds/contracts payable	1,491,402	1,813,903	8,530,000	9,665,000	10,021,402	11,478,903
<b>Total liabilities</b>	<u>1,720,050</u>	<u>1,960,486</u>	<u>8,633,096</u>	<u>9,831,366</u>	<u>10,353,146</u>	<u>11,791,852</u>
<b><u>NET ASSETS</u></b>						
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	1,092,909	1,113,425	8,440,930	7,956,784	9,533,839	9,070,209
Unrestricted	11,181,250	10,676,912	638,983	512,290	11,820,233	11,189,202
Restricted	4,141,458	4,572,356	11,309,068	12,663,973	15,450,526	17,236,329
<b>Total net assets</b>	<u>\$ 16,415,617</u>	<u>\$ 16,362,693</u>	<u>\$ 20,388,981</u>	<u>\$ 21,133,047</u>	<u>\$ 36,804,598</u>	<u>\$ 37,495,740</u>

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>Fiscal Year 2011</b>	<b>Fiscal Year 2010</b>	<b>Fiscal Year 2011</b>	<b>Fiscal Year 2010</b>	<b>Fiscal Year 2011</b>	<b>Fiscal Year 2010</b>
<b>REVENUES</b>						
<b>Program revenues:</b>						
Charges for services	\$ 209,356	\$ 244,655	\$ 202,607	\$ 173,243	\$ 411,963	\$ 417,898
Operating contributions	40,177	26,831			40,177	26,831
Capital contributions		136,045	26,750	3,750	26,750	139,795
<b>General revenues:</b>						
State shared revenues	554,237	426,674			554,237	426,674
Property taxes	314,523	348,165			314,523	348,165
Interest income - cash and assessments	140,167	212,593	333,165	533,654	473,332	746,247
Other	60,046	76,176			60,046	76,176
Change in equity of joint ventures	(162,515)	(218,195)			(162,515)	(218,195)
<b>Total revenues</b>	<b>1,155,991</b>	<b>1,252,944</b>	<b>562,522</b>	<b>710,647</b>	<b>1,718,513</b>	<b>1,963,591</b>
<b>EXPENSES</b>						
General government	758,513	788,259			758,513	788,259
Parks and recreation	76,604	78,826			76,604	78,826
Public works	187,708	149,589			187,708	149,589
Interest on long-term debt	80,242	92,945			80,242	92,945
Sewer system			1,306,588	1,421,012	1,306,588	1,421,012
<b>Total expenses</b>	<b>1,103,067</b>	<b>1,109,619</b>	<b>1,306,588</b>	<b>1,421,012</b>	<b>2,409,655</b>	<b>2,530,631</b>
<b>Change in net assets</b>	<b>52,924</b>	<b>143,325</b>	<b>(744,066)</b>	<b>(710,365)</b>	<b>(691,142)</b>	<b>(567,040)</b>
<b>BEGINNING NET ASSETS</b>	<b>16,362,693</b>	<b>16,219,368</b>	<b>21,133,047</b>	<b>21,843,412</b>	<b>37,495,740</b>	<b>38,062,780</b>
<b>ENDING NET ASSETS</b>	<b>\$ 16,415,617</b>	<b>\$ 16,362,693</b>	<b>\$ 20,388,981</b>	<b>\$ 21,133,047</b>	<b>\$ 36,804,598</b>	<b>\$ 37,495,740</b>

The governmental activity net assets increased by \$52,924, mostly due to maintaining or cutting costs of operations.

The business-type activity expenses exceeded revenues by \$744,066 (net loss) for the year ended June 30, 2011. This is primarily due to a lack of connection fees, and depreciation on capital assets.

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

The Township had four major funds for the year ended June 30, 2011. 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 \$279,666. Management has continued to search for ways to reduce operating costs. State shared revenues increased significantly due to the revised 2010 census.

The Water System Assessment Fund had revenues under expenditures totaling \$72,718. This fund accounts for the assessment and related debt service for the Township's participation in the Marion Howell Oceola Genoa (MHOG) water authority. The remaining fund balance will be reduced annually until the bonds have been paid off.

The Water New User Fund had revenues exceeding expenditures by \$124,013. This fund accounts for the tap-ins and unbonded assessments for the Township's participation in the Marion Howell Oceola Genoa (MHOG) water authority.

The Township's sole business-type fund, the Sewer Fund, had a net loss of \$744,066. Which is largely due to the slowdown in the economy which as previously mentioned, reduced connection fees. Depreciation expense is also a significant portion of expenses.

### **General Fund Budgetary Highlights**

The Township adopted its general fund budget prior to beginning operations for the year ended June 30, 2011. Total budgeted revenues exceeded budgeted expenditures by \$52,482. This excess was largely due to the increase in state shared revenues. 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 \$1,336 for vacant land and park construction. During the year, the business-type fund, spent \$13,504 for vacant land.

The governmental funds issued no new debt during the year, but spent \$322,501 on principal and \$80,242 of interest on existing debt. The remaining debt in the governmental activities at June 30, 2011 was \$1,491,402.

The business-type funds issued no new debt during the year, but spent \$1,135,000 of principal and \$431,207 of interest on existing debt. The remaining debt in the business-type activities at June 30, 2011 was \$8,530,000.

### **Economic Conditions and Future Activities**

As in other townships, the economy has significantly slowed the building and growth activities in Marion Township. The 2010 census data reflected a population growth of 48.2% over the 2000 census count which has led to an increase in the state shared revenues received by the Township. The taxable property value for Township, however, continues to decline due to the economic climate of the State of Michigan. This has and will continue to affect the overall value and collectability of Township tax revenues. Development of the Township's utility systems (water and sewer) is not expected to increase in the near future. Defaults on special assessments levied to repay debt issued to construct water and sewer systems has risen in recent years and is an area that will be monitored closely going forward.

### **Contacting the Township's Financial Management**

This report is designed to provide a general overview of the Township's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact Marion Township at 2877 West Coon Lake Road, Howell, Michigan 48843.

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENTAL-WIDE FINANCIAL STATEMENTS**

MARION TOWNSHIP

STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,811,836	\$ 53,618	\$ 1,865,454
Cash and cash equivalents restricted for capital and debt	1,787,006	5,568,515	7,355,521
<b>Receivables:</b>			
State shared revenues	254,693		254,693
Accounts	1,622	71,857	73,479
Interest	1,693	4,560	6,253
Special assessments restricted for capital and debt	1,582,343	5,825,553	7,407,896
Internal balances		132,670	132,670
Investment in joint ventures	11,501,150		11,501,150
Capital assets, net	1,158,524	16,970,930	18,129,454
Bond issuance costs, net	21,415	108,700	130,115
Deferred amount on refunding bonds, net	15,385	285,674	301,059
<b>Total assets</b>	<b>18,135,667</b>	<b>29,022,077</b>	<b>47,157,744</b>
<b><u>LIABILITIES</u></b>			
<b>LIABILITIES</b>			
Accounts payable	15,143	15,674	30,817
Accrued liabilities	81,532	85,000	166,532
Internal balances	130,248	2,422	132,670
Deferred revenues	1,725		1,725
<b>Noncurrent liabilities:</b>			
Due within one year	330,619	1,170,000	1,500,619
Due beyond one year	1,160,783	7,360,000	8,520,783
<b>Total liabilities</b>	<b>1,720,050</b>	<b>8,633,096</b>	<b>10,353,146</b>
<b><u>NET ASSETS</u></b>			
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,092,909	8,440,930	9,533,839
<b>Restricted for:</b>			
Road construction and maintenance	139,509		139,509
Capital projects	1,084,064	2,270,479	3,354,543
Debt service	2,917,885	9,038,589	11,956,474
Unrestricted	11,181,250	638,983	11,820,233
<b>Total net assets</b>	<b>\$ 16,415,617</b>	<b>\$ 20,388,981</b>	<b>\$ 36,804,598</b>

The notes are an integral part of the financial statements.

**MARION TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions</u>	<u>Capital Contributions</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
General government	\$ (758,513)	\$ 209,356	\$ 33,788	\$
Parks and recreation	(76,604)		6,389	
Public works	(187,708)			
Interest on long-term debt	(80,242)			
<b>Total governmental activities</b>	<b>(1,103,067)</b>	<b>209,356</b>	<b>40,177</b>	
<b>BUSINESS-TYPE ACTIVITIES</b>				
Sewer system	(1,306,588)	202,607		26,750
<b>Total</b>	<b>\$ (2,409,655)</b>	<b>\$ 411,963</b>	<b>\$ 40,177</b>	<b>\$ 26,750</b>

**General revenues**

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

**Total general revenues**

Change in equity of joint ventures

**Changes in net assets**

**Net assets, July 1, 2010**

**Net assets, June 30, 2011**

The notes are an integral part of the financial statements.

**PFEFFER, HANNIFORD & PALKA**

*Certified Public Accountants*

**Net (Expenses) Revenue and Changes  
in Net Assets**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (515,369)	\$	\$ (515,369)
(70,215)		(70,215)
(187,708)		(187,708)
<u>(80,242)</u>		<u>(80,242)</u>
<u>(853,534)</u>		<u>(853,534)</u>
	<u>(1,077,231)</u>	<u>(1,077,231)</u>
<u>(853,534)</u>	<u>(1,077,231)</u>	<u>(1,930,765)</u>
314,523		314,523
554,237		554,237
130,296	320,061	450,357
9,871	13,104	22,975
41,729		41,729
<u>18,317</u>		<u>18,317</u>
1,068,973	333,165	1,402,138
<u>(162,515)</u>		<u>(162,515)</u>
52,924	(744,066)	(691,142)
<u>16,362,693</u>	<u>21,133,047</u>	<u>37,495,740</u>
<u>\$ 16,415,617</u>	<u>\$ 20,388,981</u>	<u>\$ 36,804,598</u>



**FUND FINANCIAL STATEMENTS**

**MARION TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

	<b>Major Funds</b>		
	<b>General Fund</b>	<b>Water System Assessment Fund</b>	<b>Water New User Fund</b>
<b><u>ASSETS</u></b>			
<b>ASSETS</b>			
Cash and investments	\$ 1,731,030	\$ 832,935	\$ 954,071
Receivables			
Special assessments, net		2,083,257	474,264
State shared revenues	254,693		
Accrued interest		1,693	
Due from other funds	175,114		170,489
Due from others	1,622		
	<b>\$ 2,162,459</b>	<b>\$ 2,917,885</b>	<b>\$ 1,598,824</b>
	<b>\$ 2,162,459</b>	<b>\$ 2,917,885</b>	<b>\$ 1,598,824</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 6,222	\$	\$ 63
Accrued wages and pension	31,499		
Accrued assessment chargeback			39,000
Due to other funds	154		475,697
Deferred revenues	1,725	2,083,257	474,264
	<b>39,600</b>	<b>2,083,257</b>	<b>989,024</b>
	<b>39,600</b>	<b>2,083,257</b>	<b>989,024</b>
<b>FUND BALANCES</b>			
<b>Restricted for:</b>			
Private roads			
Debt service		834,628	
Capital projects			609,800
<b>Committed to:</b>			
Cemetery			
Capital improvement	97,769		
Unassigned	2,025,090		
	<b>2,122,859</b>	<b>834,628</b>	<b>609,800</b>
	<b>2,122,859</b>	<b>834,628</b>	<b>609,800</b>
<b>Total fund balances</b>	<b>2,122,859</b>	<b>834,628</b>	<b>609,800</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,162,459</b>	<b>\$ 2,917,885</b>	<b>\$ 1,598,824</b>

The notes are an integral part of the financial statements.

<u>Other Non-major Funds</u>	<u>Total</u>
\$ 80,806	\$ 3,598,842
74,822	2,632,343
	254,693
	1,693
	345,603
	1,622
<u>\$ 155,628</u>	<u>\$ 6,834,796</u>

\$ 8,858	\$ 15,143
	31,499
	39,000
	475,851
<u>74,822</u>	<u>2,634,068</u>
<u>83,680</u>	<u>3,195,561</u>

64,687	64,687
	834,628
	609,800
7,261	7,261
	97,769
	2,025,090
<u>71,948</u>	<u>3,639,235</u>
<u>\$ 155,628</u>	<u>\$ 6,834,796</u>

**MARION TOWNSHIP**

**RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011**

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

<b>Total fund balance per balance sheet</b>		<b>\$ 3,639,235</b>
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Historical cost	\$ 1,678,243	
Depreciation	<u>(519,719)</u>	
<b>Capital assets net of depreciation</b>		<b>1,158,524</b>
Bond issuance costs incurred in procuring bond financing transactions are not financial resources and therefore are not reported in the funds:		
Bond issuance costs	49,415	
Deferred amount on refunding bonds	35,685	
Accumulated amortization	<u>(48,300)</u>	
<b>Bond issuance costs net of amortization</b>		<b>36,800</b>
Equity interests in joint ventures are not financial resources and therefore not reported in the funds		
Equity in joint ventures		11,501,150
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Contracts payable	(696,402)	
Bonds payable	<u>(795,000)</u>	
<b>Total long-term liabilities</b>		<b>(1,491,402)</b>
Accrued sick and vacation is not included as a liability in the governmental funds		
		(11,033)
Deferred revenues on special assessments was recognized as revenue in the government-wide statements. Assessments are income as they are assessed.		
Deferred income	2,632,343	
Portion related to interfund advance	<u>(1,050,000)</u>	
<b>Total deferred revenue</b>		<b><u>1,582,343</u></b>
<b>Net assets of governmental activities</b>		<b><u><u>\$ 16,415,617</u></u></b>

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, 2011**

	<b>Major Funds</b>		
	<b>General Fund</b>	<b>Water System Assessment Fund</b>	<b>Water New User Fund</b>
<b>REVENUES</b>			
Taxes	\$ 314,523	\$	\$
Special assessments		306,735	94,489
State shared revenues	554,237		
Licenses and permits	96,844		
Connection fees			33,788
Rental income	41,729		
Donations	6,389		
Charges for services	106,012		
Interest	5,394	3,541	876
Miscellaneous	18,317		
<b>Total revenues</b>	<b>1,143,445</b>	<b>310,276</b>	<b>129,153</b>
<b>EXPENDITURES</b>			
<b>Current:</b>			
General government	705,223		
Parks and recreation	69,928		
Public works	65,816	1,600	3,804
<b>Debt service:</b>			
Principal	18,843	303,657	
Interest	2,506	77,737	
<b>Capital outlay:</b>			
General government	1,463		1,336
<b>Total expenditures</b>	<b>863,779</b>	<b>382,994</b>	<b>5,140</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>279,666</b>	<b>(72,718)</b>	<b>124,013</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	170,489		
Transfers (out)	(68,379)		(170,489)
<b>Total other financing sources (uses)</b>	<b>102,110</b>		<b>(170,489)</b>
<b>Net change in fund balances</b>	<b>381,776</b>	<b>(72,718)</b>	<b>(46,476)</b>
<b>FUND BALANCE, JULY 1, 2010</b>	<b>1,741,083</b>	<b>907,346</b>	<b>656,276</b>
<b>FUND BALANCE, JUNE 30, 2011</b>	<b>\$ 2,122,859</b>	<b>\$ 834,628</b>	<b>\$ 609,800</b>

The notes are an integral part of the financial statements.

<b>Other Non-major Funds</b>	<b>Total</b>
\$	\$
81,033	314,523
	482,257
	554,237
	96,844
	33,788
	41,729
	6,389
6,500	112,512
60	9,871
	18,317
<hr/>	<hr/>
87,593	1,670,467
<hr/>	<hr/>
6,775	711,998
	69,928
108,208	179,428
	322,500
	80,243
	2,799
<hr/>	<hr/>
114,983	1,366,896
<hr/>	<hr/>
(27,390)	303,571
<hr/>	<hr/>
68,379	238,868
	(238,868)
<hr/>	<hr/>
68,379	
<hr/>	<hr/>
40,989	303,571
30,959	3,335,664
<hr/>	<hr/>
\$ 71,948	\$ 3,639,235
<hr/> <hr/>	<hr/> <hr/>

**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, 2011**

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

Net change in fund balances - governmental funds \$ 303,571

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 outlay	\$	1,336	
Depreciation expense		<u>(40,695)</u>	
<b>Total</b>			(39,359)

Governmental funds report bond issuance costs as expenditures. However, in the Statement of Activities those costs are allocated over the repayment term of the bond as amortization expense.

Amortization of bond issuance costs (8,280)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Repayment of contracts payable		132,501	
Repayment of bonds payable		<u>190,000</u>	
<b>Total</b>			322,501

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 (351,961)

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

(11,033)

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.

(162,515)

**Change in net assets of governmental activities \$ 52,924**

The notes are an integral part of the financial statements.

**MARION TOWNSHIP**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND - SEWER FUND**  
**JUNE 30, 2011**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	53,618
Accounts receivable - usage		71,857
Due from other funds		<u>132,670</u>

**Total current assets** \$ 258,145

**CURRENT ASSETS (RESTRICTED)**

Cash and cash equivalents - debt service & future improvements		3,372,286
Cash and cash equivalents - phase II plant		2,196,229
Accrued interest		<u>4,560</u>

**Total current assets (restricted)** 5,573,075

**PROPERTY, PLANT AND EQUIPMENT**

Sewer collection system		14,046,608
Sewer plant		9,795,116
Computers, equipment, software		134,102
Land		<u>198,664</u>
		24,174,490
Less: accumulated depreciation		<u>7,203,560</u>

**Net property, plant and equipment** 16,970,930

**OTHER ASSETS**

Bond issuance costs, net		108,700
Deferred amount on refunding bonds, net		<u>285,674</u>

**Total other assets** 394,374

**RESTRICTED ASSETS**

Special assessments receivable - bonded		5,751,303
Special assessments receivable - unbonded		<u>74,250</u>

**Total restricted assets** 5,825,553

**Total assets** \$ 29,022,077

The notes are an integral part of the financial statements.



**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 15,674
Due to other funds	2,422
Accrued chargeback from county	85,000
Bond payable - refunding series 2007	<u>1,170,000</u>

**Total current liabilities** \$ 1,273,096

**LONG-TERM LIABILITIES**

Bond payable - refunding series 2007	<u>7,360,000</u>
--------------------------------------	------------------

**Total liabilities** 8,633,096

**NET ASSETS**

Invested in capital assets net of related debt	8,440,930
<b>Reserved for:</b>	
Capital projects	2,270,479
Debt service	9,038,589
Unreserved	<u>638,983</u>

**Total net assets** 20,388,981

**Total liabilities and net assets** \$ 29,022,077

**MARION TOWNSHIP**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUND - SEWER FUND  
 FOR THE YEAR ENDED JUNE 30, 2011**

<b>OPERATING REVENUES</b>		
User charges		\$ 202,607
<b>OPERATING EXPENSES</b>		
Contract labor	\$ 38,177	
Sewer usage fee	87,507	
Depreciation expense	664,358	
Utilities	9,041	
Telephone	3,656	
Administrative fees - reimbursement to general fund	2,202	
Professional fees	14,067	
Administrative fees - billing administration Genoa Township	14,615	
Repairs and maintenance	<u>6,663</u>	
<b>Total operating expenses</b>		<u>840,286</u>
<b>Operating (loss)</b>		(637,679)
<b>NON-OPERATING REVENUES AND (EXPENSES)</b>		
Interest income - assessments	320,061	
Interest income - cash and investments	13,104	
Interest expense - debt	(431,207)	
Amortization - bond issuance costs	(18,630)	
Assessment - taxes/city	<u>(16,465)</u>	
<b>Total non-operating revenue</b>		(133,137)
<b>CAPITAL CONTRIBUTIONS</b>		
Connection fees - new users		<u>26,750</u>
<b>Net (loss)</b>		(744,066)
<b>NET ASSETS, JULY 1, 2010</b>		<u>21,133,047</u>
<b>NET ASSETS, JUNE 30, 2011</b>		<u><u>\$ 20,388,981</u></u>

The notes are an integral part of the financial statements.

**MARION TOWNSHIP**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND - SEWER FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

**CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES**

**Cash receipts from:**

Customer usage	\$ 192,148
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**Cash disbursements to:**

Operating vendors	<u>(204,340)</u>
-------------------	------------------

<b>Net cash (used in) operating activities</b>	<b>(12,192)</b>
--	-----------------

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

Capital asset purchases	\$ (13,504)
Special assessment collections - principal and interest	1,107,694
Connection fees received	26,750
Repayment of bond payable - principal and interest	(1,517,245)
Short term advance and repayment to other fund	(321,175)
Repayment of prior year accrued assessment chargeback	(37,280)
Repayment assessment - taxes/city	<u>(16,465)</u>

<b>Net cash flows (used in) capital and related financing activities</b>	<b>(771,225)</b>
--	------------------

**CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES**

Interest income - cash and investments	<u>11,530</u>
--	---------------

<b>Decrease in cash and cash equivalents</b>	<b>(771,887)</b>
--	------------------

<b>BALANCE, JULY 1, 2010</b>	<u>6,394,020</u>
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<b>BALANCE, JUNE 30, 2011</b>	<u><u>\$ 5,622,133</u></u>
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**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM (USED IN) OPERATING ACTIVITIES**

Operating (loss)	\$ (637,679)
------------------	--------------

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

Depreciation expense	664,358
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**Change in assets and liabilities:**

Receivables, net	(10,459)
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Accounts and other payables	<u>(28,412)</u>
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<b>Net cash (used in) operating activities</b>	<u><u>\$ (12,192)</u></u>
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The notes are an integral part of the financial statements.

**MARION TOWNSHIP**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2011**

	<b>Agency Funds</b>		
<b><u>ASSETS</u></b>	<b>Escrow Fund</b>	<b>Flexible Medical Savings Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash	\$ 23,184	\$ 5,519	\$ 28,703
<b><u>LIABILITIES</u></b>			
<b>LIABILITIES</b>			
Due to others	\$ 23,184	\$ 5,519	\$ 28,703

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, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the Township relating to the funds and account groups included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. The more significant accounting policies of the Township are described below.

**A. THE REPORTING ENTITY**

Marion Township is located in Livingston County, Michigan. The Township operates under a Township Board consisting of seven members and provides various services to its residents.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) in its Statement 39 for determining the various governmental organizations to be included in the financial reporting entity. The Township is the primary government having oversight responsibility and control over all activities. The Township receives funding from local and state government sources and must comply with all requirements of these funding source entities. As required by generally accepted accounting principles, the financial statements of the reporting entity include those activities of the Township (the primary government) and do not include any other component unit within its financial statements.

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

1. Marion, Howell, Oceola, Genoa Sewer and Water Authority (MHOG) - Marion Township appoints two members of the Authority's eight member board. The Authority is fiscally independent from the Township. The Authority is audited as an independent entity in compliance with Public Act 2.
2. Howell Area Fire Authority - Marion Township appoints one member of the Authority's six member board. The Authority was incorporated January 1, 2002 and is audited as an independent entity in compliance with Public Act 2.
3. Howell Area Parks and Recreation Authority - Marion Township appoints one (1) member of the Authority's five (5) member board. The Authority was incorporated July 1, 2008 and is audited as an independent entity in compliance with Public Act 2.

**B. BASIC FINANCIAL STATEMENTS**

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

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

## MARION TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations or other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally the Township would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The Government-Wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Township are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for governmental funds and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

The Township reports the following major governmental funds:

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

The Water Assessment Fund accounts for all the activity associated with the activity surrounding the collection of special assessment and payment of debt service for the Township's involvement with the water authority (MHOG), which is a separate entity.

The Water New User Fund accounts for the activity associated with the collection of connection fees from water customers outside of special assessment districts. The connection fees are used for expansion purposes.

The Township reports the following major business-type fund:

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

## MARION TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

##### **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

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

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

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

The proprietary fund financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise fund on the proprietary fund financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise fund is combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary fund financial statements.

The enterprise fund accounts for operations where the intent of the Township is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for any activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges of the activity, or 3) it is the policy of the Township to establish activity fees or charges to recover the cost of providing services, including capital costs.

On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.



**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Township has elected for proprietary funds not to apply Financial Accounting Standards Board statements issued after November 30, 1989.

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

**D. BUDGETS AND BUDGETARY ACCOUNTING**

1. A 2010 - 2011 fiscal year budget for each governmental fund was adopted by the Township Board in June of 2010. The budget includes proposed expenditures and means of financing them.
2. A public hearing is conducted to obtain taxpayers comments.
3. The budget for the General Fund and all special revenue funds are adopted on a basis consistent with generally accepted accounting principles.
4. Appropriations lapse at year end.
5. Budgeted amounts are as originally adopted or as amended by the Township Board.

**E. CAPITAL ASSETS**

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities are recorded and depreciated in the government-wide financial statements. No capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Township) are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Real property is considered a capital asset regardless of initial cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	5 to 50 years
Utility plant	5 to 50 years
Machinery and equipment	2 to 40 years
Infrastructure	25 to 50 years

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**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 .8216 mills on a taxable value of \$378,901,589. For the year ended June 30, 2011, the Township recognized the property taxes levied December 1, 2010 as revenue.

**G. INVESTMENTS**

Investments are stated at market value, except investments in high quality commercial paper which is stated at amortized cost.

**H. CASH EQUIVALENTS**

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

**I. USE OF ESTIMATES**

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

**J. RISK MANAGEMENT**

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

**K. RECEIVABLES**

When necessary the Township utilizes an allowance for uncollectable accounts to value its receivables. With the exception of special assessment receivables discussed in Note 9, as of the Statement of Net Assets date, the Township considers all of its current receivables to be collectable.

**L. FUND BALANCES**

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

**M. EQUITY**

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Township board through approval or resolutions. Assigned fund balance is a limitation imposed by a designee of the Township board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes. Proprietary fund equity is classified the same as in the government-wide statements.

MARION TOWNSHIP

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes Townships to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations. The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the investments mentioned in the preceding paragraph. The Township has designated thirteen (13) banks for the deposit of its funds.

The Township's cash and investments are exposed to various risks as explained in greater detail in the following paragraphs:

**Custodial Credit Risk**

- Deposits - Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Township's deposits may not be returned to the Township.

As of June 30, 2011, deposits in banks totaled \$7,076,088 which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 6,851,820
Uninsured and collateralized by securities held by pledging financial institutions	76,745
Uninsured and Uncollateralized	<u>147,523</u>
	<u>\$ 7,076,088</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, 2011 the Township's investments were exposed to custodial credit risk as follows:

Insured by SIPC	\$ 500,000
Insured by commercial insurance	<u>1,696,229</u>
	<u>\$ 2,196,229</u>

**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**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, 2011 the Township's investments were rated as follows:

<u>Investment Type</u>	<u>Standard &amp; Poors</u>	<u>Amount</u>
SB Money Funds	Unrated	\$ 2,196,229

The Township's investment policy addresses credit risk and investments held at June 30, 2011 comply with the policy and statutory authority.

As of June 30, 2011 cash and cash equivalents consist of the following:

Cash and cash equivalents	
Deposits with financial institutions	\$ 7,053,051
Money market fund	2,196,229
Cash on hand	400
<b>Total cash and cash equivalents</b>	<b>\$ 9,249,680</b>

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

Statement of Net Assets	
Cash and cash equivalents	\$ 1,870,974
Cash and cash equivalents - restricted	7,355,522
<b>Total</b>	9,226,496
Fiduciary Funds	
Cash and cash equivalents	23,184
<b>Total cash and cash equivalents</b>	<b>\$ 9,249,680</b>

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

**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 3 - INTERFUND TRANSACTIONS AND BALANCES**

Interfund transfers for the year ended June 30, 2011 were as follows:

<u>Fund Receiving Resources</u>	<u>Fund Providing Resources</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Water New User Fund	Reclassify cumulative advances to Assessment Revolving Project Fund from General Fund to Water New User Fund	\$ 170,489
Assessment Revolving Project Fund	General Fund	Contribution for maintenance	68,379
			<u>\$ 238,868</u>

Interfund receivables and payables between individual funds of the Township, as reported in the fund financial statements, as of June 30, 2011 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>June 30, 2011 Balance</u>	<u>Description</u>
Sewer O&M Fund	General Fund	\$ 154	General expenditures
General Fund	Sewer O&M Fund	2,202	Allocated wages
General Fund	Sewer O&M Fund	220	Sewer O&M expenses
Sewer O&M Fund	Water New User Fund	132,516	Assessments
General Fund	Water New User Fund	170,489	Water new user expenses
General Fund	Water New User Fund	2,202	Allocated wages
Recreation Fund	General Fund	100	Reimburse for gazebo rental
		<u>\$ 307,883</u>	

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

**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 4 - CAPITAL ASSETS**

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

	<b>Balance 7/1/2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2011</b>
<b><u>Governmental Activities</u></b>				
<b>Capital assets not being depreciated</b>				
Land	\$ 279,783	\$ 1,336	\$	\$ 281,119
<b>Capital assets being depreciated:</b>				
Buildings	1,204,795			1,204,795
Equipment	96,164			96,164
Park improvements	96,165			96,165
<b>Subtotal</b>	<b>1,397,124</b>			<b>1,397,124</b>
<b>Accumulated depreciation:</b>				
Buildings	(418,165)	(25,575)		(443,740)
Equipment	(47,119)	(8,444)		(55,563)
Park improvements	(13,740)	(6,676)		(20,416)
<b>Subtotal</b>	<b>(479,024)</b>	<b>(40,695)</b>		<b>(519,719)</b>
<b>Net capital assets being depreciated</b>	<b>918,100</b>	<b>(40,695)</b>		<b>877,405</b>
<b>Net capital assets</b>	<b>\$ 1,197,883</b>	<b>\$ (39,359)</b>	<b>\$</b>	<b>1,158,524</b>
Less: Related long-term debt outstanding as of June 30, 2011				(65,615)
<b>Net assets invested in governmental capital assets net of related debt</b>				<b>\$ 1,092,909</b>

MARION TOWNSHIP

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE 4 - CAPITAL ASSETS - continued**

	<u>Balance 7/1/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2011</u>
<b><u>Business-type Activities</u></b>				
<b>Capital assets not being depreciated</b>				
Land	\$ 185,160	\$ 13,504	\$	\$ 198,664
<b>Capital assets being depreciated:</b>				
Sewer plant	9,795,116			9,795,116
Collection system	14,046,608			14,046,608
Equipment	134,102			134,102
<b>Subtotal</b>	<u>23,975,826</u>			<u>23,975,826</u>
<b>Accumulated depreciation:</b>				
Sewer plant	(2,620,874)	(267,757)		(2,888,631)
Collection system	(3,784,227)	(396,601)		(4,180,828)
Equipment	(134,101)			(134,101)
<b>Subtotal</b>	<u>(6,539,202)</u>	<u>(664,358)</u>		<u>(7,203,560)</u>
<b>Net capital assets being depreciated</b>	<u>17,436,624</u>	<u>(664,358)</u>		<u>16,772,266</u>
<b>Net capital assets</b>	<u>\$ 17,621,784</u>	<u>\$ (650,854)</u>	<u>\$</u>	<u>16,970,930</u>
Less: Related long-term debt outstanding as of June 30, 2011				<u>8,530,000</u>
<b>Net assets invested in business-type capital assets net of related debt</b>				<u>\$ 8,440,930</u>

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

<b>Governmental activities:</b>	
General government	\$ 34,019
Parks and recreation	6,676
	<u>40,695</u>
<b>Business-type activities:</b>	
Sewer disposal	<u>664,358</u>
<b>Total government-wide depreciation</b>	<u>\$ 705,053</u>

**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 5 - LONG-TERM DEBT**

**Contracts Payable**

The Township entered into a contract to repay bonds issued by Livingston County in which the proceeds of such bonds were used to construct a joint water system with three other townships. Currently, contracts payable are outstanding for governmental activities only.

Contracts payable currently outstanding are as follows:

<u>Purpose</u>	<u>Issuance Amount</u>	<u>Installments</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Debt Outstanding</u>
<b>Governmental activities:</b>					
Livingston County Joint Water System Series D	\$ 1,125,000	\$ 35,185 — \$ 72,685	6/1/2016	5.12 — 8.0%	\$ 363,426
Livingston County Joint Water System Series E	\$ 743,750	\$ 22,222 — \$ 53,472	6/1/2016	5.20 — 5.375%	<u>267,361</u>
<b>Total contracts payable outstanding</b>					<u><u>\$ 630,787</u></u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 126,157	\$ 34,706
2013	126,157	27,816
2014	126,157	20,859
2015	126,157	13,922
2016	<u>126,159</u>	<u>6,970</u>
	<u><u>\$ 630,787</u></u>	<u><u>\$ 104,273</u></u>



**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 5 - LONG-TERM DEBT - continued**

**General Obligation Bonds**

The Township issued general obligation bonds to provide funds to advance refund bonds. General obligation bonds are outstanding for general government and business-type activities.

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Issuance Amount</u>	<u>Installments</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Debt Outstanding</u>
<b>Governmental activities:</b>					
2005 Joint Water System refunding bonds	\$ 1,995,000	\$ 75,000 — \$ 230,000	5/1/2016	2.8 — 4.0%	\$ 795,000
<b>Business-type activities:</b>					
2005 Sanitary Sewer refunding bonds	\$ 13,525,000	\$ 115,000 — \$ 1,210,000	6/1/2019	3.5 — 4.2%	<u>8,530,000</u>
<b>Total general obligation bonds</b>					<u><u>\$ 9,325,000</u></u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 185,000	\$ 30,240	\$ 1,170,000	\$ 338,890
2013	180,000	23,950	1,155,000	294,430
2014	180,000	16,975	1,195,000	249,674
2015	175,000	10,000	1,210,000	203,368
2016	75,000	3,000	1,195,000	154,968
2017 - 2019			<u>2,605,000</u>	<u>186,706</u>
	<u>\$ 795,000</u>	<u>\$ 84,165</u>	<u>\$ 8,530,000</u>	<u>\$ 1,428,036</u>

MARION TOWNSHIP

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE 5 - LONG-TERM DEBT - continued**

**Installment Loan Payable**

The Township financed the expansion of its central offices through an installment loan payable to a local bank. Such borrowing is allowed without state approval under P.A. 99 of 1933. The installment loan outstanding relates to governmental activities only.

<u>Purpose</u>	<u>Issuance Amount</u>	<u>Installments</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Debt Outstanding</u>
<b>Governmental activities:</b>					
FNB - 2003 Hall expansion	\$ 181,882	\$ 15,800 — \$ 20,428	9/22/2014	3.18%	<u>\$ 65,615</u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 19,462	\$ 1,887
2013	20,102	1,247
2014	20,758	505
2015	5,293	129
	<u>\$ 65,615</u>	<u>\$ 3,768</u>

**Changes in Long-Term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

	<u>Balance 7/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2011</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Contracts payable	\$ 744,445	\$	\$ 113,658	\$ 630,787	\$ 126,157
General obligation bonds	985,000		190,000	795,000	185,000
Installment loans	84,458		18,843	65,615	19,462
<b>Governmental activity long-term liabilities</b>	1,813,903		322,501	1,491,402	330,619
<b>Business-type activities:</b>					
General obligation bonds	9,665,000		1,135,000	8,530,000	1,170,000
<b>Total long-term liabilities</b>	<u>\$ 11,478,903</u>	<u>\$</u>	<u>\$ 1,457,501</u>	<u>\$ 10,021,402</u>	<u>\$ 1,500,619</u>

**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 6 - DEFINED CONTRIBUTION PENSION PLANS**

The Township has adopted the John Hancock "New Dimensions" Pension Plan for Michigan Township employees. All elected/appointed officials and employees working 32 or more hours a week are eligible for participation in this single-employer plan. The Township contributes 2.0% 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, 2011 was \$344,606.

**TOTAL CURRENT YEAR EMPLOYER CONTRIBUTIONS** \$ 6,892

In addition, the Township began sponsoring a deferred compensation plan qualifying under Section 457 of the Internal Revenue Code with ING Life Insurance and Annuity Company. The Township is not obligated to make matching or employer contributions to the plan.

**NOTE 7 - STATEMENT OF CASH FLOWS - BUSINESS-TYPE ACTIVITIES**

Pursuant to the Governmental Accounting Standards Board (GASB) statement number 9, a statement of cash flows is presented. The purpose of the statement of cash flows is to explain the change in cash and cash equivalents during the year.

The direct method was utilized to present cash flows from operations. The following is a summary of beginning and ending cash and cash equivalents for the sewer proprietary fund:

	<u>7/1/2010</u>	<u>6/30/2011</u>
<b>Current assets</b>		
Cash and cash equivalents	<u>\$ 6,394,020</u>	<u>\$ 5,622,133</u>

**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

As of June 30, 2011 the Township is exposed to the following commitments and contingencies:

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

**Contingent Assessment Losses Deemed Probable**

Management has estimated and provided a reserve of approximately \$124,000 as of June 30, 2011 for probable charge backs for special assessment installments previously received from the Livingston County Delinquent Tax Revolving Fund. This reserve has been recorded as a liability in the government-wide and fund financial statements in accordance with current accounting standards. See Note 10 for additional details.

**Contingent Assessment Losses Deemed Possible**

Certain vacant parcels of land exist in the Township in which the approximate outstanding balance of water and sewer special assessments as of June 30, 2011 is \$1,395,000. Such balance includes delinquent installments owed to the Livingston County Delinquent Tax Revolving Fund of approximately \$300,000 (excluding additional penalties and interest assessed by the County) which the Township could bear ultimate responsibility. Management believes that the value of the land that collateralizes these special assessment receivables should provide adequate security to the Township in the event the land is forfeited and sold at the tax foreclosure sale. As a result, a reserve for a possible charge back from the County or an allowance against the receivable balance has not been established in the government-wide and fund financial statements as management does not feel the potential losses reach the level of probable.

- B. The Township is involved in significant legal proceedings as a defendant. The plaintiff is a development company which owns land in the sewer district. The proceedings are related to sewer special assessments. The total sewer assessment on the plaintiff's property is approximately \$3,200,000. The plaintiff claims that the assessment is approximately three times greater than it should be because it could have constructed a private system for approximately \$1,000,000. As a result, the plaintiff is seeking a reduction in its assessment upward to \$2,000,000.

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

**NOTE 9 - SPECIAL ASSESSMENTS RECEIVABLE**

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

**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 9 - SPECIAL ASSESSMENTS RECEIVABLE - continued**

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

	<b>Water Assessment Fund</b>	<b>Water New User Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
Gross special assessments receivable	\$ 1,182,827	\$ 819,530	\$ 7,695,240	\$ 9,697,597
Less: allowance for uncollectable assessments	(149,570)	(345,266)	(1,869,688)	(2,364,524)
<b>Net special assessments receivable</b>	<b>\$ 1,033,257</b>	<b>\$ 474,264</b>	<b>\$ 5,825,552</b>	<b>\$ 7,333,073</b>

**NOTE 10 - ACCRUED CHARGEBACKS**

As noted above under Note 9 the Township has some assessments that are being adjusted down to reflect economic reality. The respective owners of the adjusted assessments have not paid the annual installments over the past two (2) - three (3) years. However, the County Revolving Fund did reimburse the Township for the delinquent assessments. The County has attempted to collect from the property owners with no success. Thus, over the next year, the County will require the Township to pay back (chargebacks) the delinquent assessments plus interest and penalties. To follow is management's estimate of amounts expected to be repaid as of June 30, 2011:

Water New User Fund	\$ 39,000
Sewer Fund	85,000
<b>Total</b>	<b>\$ 124,000</b>

**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 11 - ASSETS RESTRICTED FOR CAPITAL AND DEBT**

Restricted assets in the Water Assessment Debt Service Fund, Water New User Capital Projects Fund and Sewer Proprietary Fund as of June 30, 2011 consisted of the following:

	<u>Water</u>	<u>Water New</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Cash and cash equivalents</b>	\$ 832,935	\$ 954,071	\$ 5,568,515	\$ 7,355,521
<b>Special assessment receivables</b>	<u>1,033,257</u>	<u>474,264</u>	<u>5,825,553</u>	<u>7,333,074</u>
<b>Total</b>	<u>\$ 1,866,192</u>	<u>\$ 1,428,335</u>	<u>\$ 11,394,068</u>	<u>\$ 14,688,595</u>

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

**NOTE 12 - INVESTMENT IN JOINT VENTURES**

As of June 30, 2011 the Township has investments in three joint ventures as follows:

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

The Township is a member of the Marion, Howell, Oceola, Genoa Joint Sewer and Water Authority (hereinafter "MHOG"). As the name implies MHOG was incorporated by the Townships of Marion, Howell, Oceola and Genoa. MHOG was formed to operate and maintain a joint water system that serves residents in each member township. Marion Township holds a 25% share of the equity in this joint venture which amounted to \$11,048,278 as of June 30, 2011. Such amount is recorded in the government-wide statement of net assets as an investment in joint ventures. The Township is unaware of any circumstances that would cause additional benefit or burden to the participating governments of the joint venture in the foreseeable future. Complete financial statements of MHOG can be obtained from the administrative offices of MHOG at 2911 Dorr Road, Howell, MI 48843. Selected financial information of MHOG as of and for the fiscal year ended September 30, 2010 (the date financial information was last available) were as follows:

Total assets	\$ 44,445,033
Total liabilities	\$ 251,923
Total net assets	\$ 44,193,110
Total revenue	\$ 2,359,915
Total expenses	\$ 3,040,110

**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 12 - INVESTMENT IN JOINT VENTURES - continued**

**Howell Area Fire Authority**

The Township is a member of the Howell Area Fire Authority (hereinafter "Fire Authority"). The Fire Authority was incorporated by the City of Howell and the townships of Marion, Howell, Oceola, and Cohoctah. The Fire Authority was formed for the purpose of providing fire protection and safety services to the residents of its incorporating members. The Fire Authority operations are funded through a voter approved millage. Marion Township holds a 20% share of the equity in this joint venture which amounted to \$452,872 as of June 30, 2011. Such amount is recorded in the government-wide statement of net assets as an investment in joint ventures. The Township is unaware of any circumstances that would cause additional benefit or burden to the participating governments of the joint venture in the foreseeable future. Complete financial statements for the Fire Authority can be obtained from the administrative offices of the Authority 1211 W. Grand River, Howell, Michigan. Selected financial information of the Fire Authority as of and for the fiscal year ended June 30, 2011 was as follows:

Total assets	\$ 2,937,255
Total liabilities	\$ 672,897
Total net assets	\$ 2,264,358
Total revenue	\$ 1,858,869
Total expenditures	\$ 1,771,429

**Howell Area Parks and Recreation Authority**

The Township is a member of the Howell Area Parks and Recreation Authority (hereinafter "Recreation Authority"). The Recreation Authority was incorporated by the City of Howell and the Townships of Marion, Oceola and Genoa. The Recreation Authority was formed for the purpose of providing recreational opportunities for the citizens of the member governments. The Recreation Authority began operating on July 1, 2008. The Township appoints one member to the five member Recreation Authority board. The Township's equity interest in the joint venture at June 30, 2011 is insignificant and is therefore not recorded within the governmental activities column in the Statement of Net Assets.

The Township is also responsible to contribute a certain amount of cash each year to subsidize the Recreation Authority's operating costs. Such contributions are calculated annually based upon budgeted needs. The Township is unaware of any circumstances that would cause an additional burden or benefit to the participating governments in the near future. Complete financial statements for the Recreation Authority can be obtained from the administrative offices at 925 West Grand River, Howell, Michigan. Selected financial information of the Recreation Authority as of and for the fiscal year ended June 30, 2010 (the date financial information was last available) was as follows:

Total assets	\$ 118,579
Total liabilities	\$ 159,588
Total net assets	\$ (41,009)
Total revenue	\$ 857,008
Total expenditures	\$ 883,173

**NOTE 13 - RELATED PARTY TRANSACTIONS**

The Township leases space to the Howell Area Fire Authority (hereinafter "Authority"). As explained in further detail in Note 12 the Township is a member in the Authority. During the year ended June 30, 2011 the Township received \$9,829 in lease revenues from the Authority.

**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 14 - NEW ACCOUNTING STANDARDS**

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the resources reported in the governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved will be replaced with five new classifications of non-spendable, restricted, committed, assigned and unassigned.

The hierarchy of five possible classifications of fund balance is:

**Nonspendable Fund Balance**

- Amounts that cannot be spent due to form; for example, inventories and prepaid amounts. Also, long-term loan and notes receivables, and property held for resale would be reported here unless the proceeds are restricted, committed or assigned.
- Amounts that must be maintained intact legally or contractually (corpus or principal of a permanent fund).

**Restricted Fund Balance**

- Amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation. This is the same definition used by GASB Statement no. 34, Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments, for restricted net assets.

**Committed Fund Balance**

- Amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require action by the same group to remove or change the constraints placed on the resources.
- Action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period.

**Assigned Fund Balance**

- For all governmental funds other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed.
- For the general fund, amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. Amount reported as assigned should not result in a deficit in unassigned fund balance.

**Unassigned Fund Balance**

- For the general fund, amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance.
- For all governmental funds other than the general fund, amount expended in excess of resources that are nonspendable, restricted, committed or assigned (a residual deficit). In determining a residual deficit, no amount should be reported as assigned.



**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, 2011

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$	\$	\$ 314,523	\$
Licenses and permits			96,844	
State shared revenues			554,237	
Charges for services			106,012	
Other revenues			71,829	
<b>Total revenues</b>	972,200	968,830	1,143,445	174,615
<b>EXPENDITURES</b>	965,696	916,261	863,779	52,482
<b>Excess of revenues over expenditures</b>	6,504	52,569	279,666	227,097
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			170,489	
Transfers (out)			(68,379)	
<b>Total other financing sources (uses)</b>			102,110	102,110
<b>Net change in fund balance</b>	6,504	52,569	381,776	329,207
<b>FUND BALANCE, JULY 1, 2010</b>	1,741,083	1,741,083	1,741,083	
<b>FUND BALANCE, JUNE 30, 2011</b>	<u>\$ 1,747,587</u>	<u>\$ 1,793,652</u>	<u>\$ 2,122,859</u>	<u>\$ 329,207</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, 2011

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Special assessments - principal	\$	\$	\$ 226,292	\$
Special assessments - interest			80,443	
Interest income			3,541	
<b>Total revenues</b>	<u>331,531</u>	<u>331,531</u>	<u>310,276</u>	<u>(21,255)</u>
<b>EXPENDITURES</b>				
Debt - principal			303,657	
Debt - interest			77,737	
Other			1,600	
<b>Total expenditures</b>	<u>385,913</u>	<u>385,913</u>	<u>382,994</u>	<u>2,919</u>
<b>Net change in fund balance</b>	<u>(54,382)</u>	<u>(54,382)</u>	<u>(72,718)</u>	<u>(18,336)</u>
<b>FUND BALANCE, JULY 1, 2010</b>	<u>907,346</u>	<u>907,346</u>	<u>907,346</u>	
<b>FUND BALANCE, JUNE 30, 2011</b>	<u>\$ 852,964</u>	<u>\$ 852,964</u>	<u>\$ 834,628</u>	<u>\$ (18,336)</u>

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

MARION TOWNSHIP

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE - BUDGETARY INFORMATION**

Highlights of the budgetary process are disclosed in Note 1 of the Notes to the Financial Statements. It should be noted that a budget is not presented for the Water New User Fund, which is a major fund this year ended June 30, 2011. The Water New User Fund is classified as a capital projects fund and under Michigan law is not required to adopt an operating budget.

**Budget Overruns**

In funds that were required by law to adopt budgets, during the year ended June 30, 2011 expenditures exceeded appropriations in a few areas as follows:

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance (Unfavorable)</u>
<b>General Fund:</b>			
Public works	\$ 4,769	\$ 6,732	\$ (1,963)
Recreation Fund	<u>6,000</u>	<u>7,588</u>	<u>(1,588)</u>
	<u>\$ 10,769</u>	<u>\$ 14,320</u>	<u>\$ (3,551)</u>

The overruns in the general and recreation funds were relatively immaterial and the result of miscellaneous expenditure accruals made at year end that were not anticipated in the amended budget.

**SUPPLEMENTAL INFORMATION**

**COMBINING FINANCIAL STATEMENTS**

**MARION TOWNSHIP**  
**COMBINING BALANCE SHEET**  
**ALL FUNDS INCLUDED IN GASB 54 CONSOLIDATION**  
**JUNE 30, 2011**

	<b>General Fund Pre GASB 54 Consolidation</b>	<b>Recreation Fund</b>	<b>Eliminations</b>	<b>Totals Restated General Fund</b>
<b>ASSETS</b>				
Cash and investments	\$ 1,633,073	\$ 97,957	\$	\$ 1,731,030
Accounts receivable	1,622			1,622
State shared revenue receivable	254,693			254,693
Due from other funds	175,114	100	100	175,114
<b>Total assets</b>	<b>2,064,502</b>	<b>98,057</b>		<b>2,162,459</b>
<b>LIABILITIES</b>				
Accounts payable	5,934	288		6,222
Accrued wages and pension payable	31,499			31,499
Deferred revenues	1,725			1,725
Due to other funds	254		100	154
<b>Total liabilities</b>	<b>39,412</b>	<b>288</b>		<b>39,600</b>
<b>FUND BALANCES</b>				
Committed - capital improvement		97,769		97,769
Unassigned	2,025,090			2,025,090
<b>Total fund balance</b>	<b>2,025,090</b>	<b>97,769</b>		<b>2,122,859</b>
<b>Total liabilities and fund balance</b>	<b>\$ 2,064,502</b>	<b>\$ 98,057</b>	<b>\$</b>	<b>\$ 2,162,459</b>



**MARION TOWNSHIP**  
**ALL SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2011**

	<u>Cemetery Fund</u>	<u>Water System Assessment Fund</u>	<u>Assessment Revolving Project Fund</u>	<u>Totals</u>
<b><u>ASSETS</u></b>				
<b>ASSETS</b>				
Cash	\$ 8,309	\$ 832,935	\$ 72,497	\$ 913,741
Note receivable - water new user		1,050,000		1,050,000
Special assessments receivable, net		1,033,257	74,822	1,108,079
Accrued interest receivable		1,693		1,693
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 8,309</b>	<b>\$ 2,917,885</b>	<b>\$ 147,319</b>	<b>\$ 3,073,513</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,048	\$	\$ 7,810	\$ 8,858
Deferred revenue		2,083,257	74,822	2,158,079
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	1,048	2,083,257	82,632	2,166,937
<b>FUND BALANCE</b>	<hr/> 7,261	<hr/> 834,628	<hr/> 64,687	<hr/> 906,576
<b>Total liabilities and fund balance</b>	<b>\$ 8,309</b>	<b>\$ 2,917,885</b>	<b>\$ 147,319</b>	<b>\$ 3,073,513</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**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, 2011**

	<b>General Fund - Pre GASB 54 Consolidation</b>	<b>Recreation Fund</b>	<b>Totals Restated General Fund</b>
<b>REVENUES</b>			
Taxes	\$ 314,523	\$	\$ 314,523
Licenses and permits	96,844		96,844
State shared revenues	554,237		554,237
Charges for services	106,012		106,012
Interest	5,264	130	5,394
Donation	5,000	1,389	6,389
Miscellaneous	59,846	200	60,046
<b>Total revenues</b>	<b>1,141,726</b>	<b>1,719</b>	<b>1,143,445</b>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Township board	38,628		38,628
Supervisor	34,007		34,007
Assessor	98,624		98,624
Election	15,837		15,837
Clerk	60,274		60,274
Board of review	4,352		4,352
Treasurer	65,510		65,510
Cemetery	6,000		6,000
Building improvement	22,812		22,812
Professional fees	30,253		30,253
Public works	6,732		6,732
Unallocated	299,353		299,353
Highways, streets and bridges	59,084		59,084
Recreation	62,340	7,588	69,928
Zoning	41,065		41,065
Planning commission	11,320		11,320
<b>Total expenditures</b>	<b>856,191</b>	<b>7,588</b>	<b>863,779</b>
<b>Excess of revenues over (under) expenditures</b>	<b>285,535</b>	<b>(5,869)</b>	<b>279,666</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	170,489		170,489
Transfers (out)	(68,379)		(68,379)
<b>Total other financing sources (uses)</b>	<b>102,110</b>		<b>102,110</b>
<b>Net changes in fund balances</b>	<b>387,645</b>	<b>(5,869)</b>	<b>381,776</b>
<b>FUND BALANCE, JULY 1, 2010</b>	<b>1,637,445</b>	<b>103,638</b>	<b>1,741,083</b>
<b>FUND BALANCE, JUNE 30, 2011</b>	<b>\$ 2,025,090</b>	<b>\$ 97,769</b>	<b>\$ 2,122,859</b>

MARION TOWNSHIP

ALL SPECIAL REVENUE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2011

	Cemetery Fund	Water System Assessment Fund	Assessment Revolving Project Fund	Totals
<b>REVENUES</b>				
Special assessments	\$	\$ 306,735	\$ 81,033	\$ 387,768
Service charges	6,500			6,500
Interest income	8	3,541	52	3,601
<b>Total revenues</b>	<u>6,508</u>	<u>310,276</u>	<u>81,085</u>	<u>397,869</u>
<b>EXPENDITURES</b>				
Construction and maintenance	5,775		108,208	113,983
Debt service		381,013		381,013
Agent fees		381		381
Other expenditures		1,600	1,000	2,600
<b>Total expenditures</b>	<u>5,775</u>	<u>382,994</u>	<u>109,208</u>	<u>497,977</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	733	(72,718)	(28,123)	(100,108)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			68,379	68,379
<b>Net changes in fund balances</b>	733	(72,718)	40,256	(31,729)
<b>FUND BALANCE, JULY 1, 2010</b>	<u>6,528</u>	<u>907,346</u>	<u>24,431</u>	<u>938,305</u>
<b>FUND BALANCE, JUNE 30, 2011</b>	<u>\$ 7,261</u>	<u>\$ 834,628</u>	<u>\$ 64,687</u>	<u>\$ 906,576</u>

**INDIVIDUAL FUNDS**

**GENERAL FUND**

**MARION TOWNSHIP**  
**GENERAL FUND (PRE GASB 54 - RESTATEMENT)**  
**BALANCE SHEET**  
**JUNE 30, 2011**

**ASSETS**

**ASSETS**

Cash		\$ 1,633,073
Accounts receivable - state		254,693
Accrued interest receivable		1,622
Due from other funds		<u>175,114</u>
<b>Total assets</b>		<b><u><u>\$ 2,064,502</u></u></b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	\$ 5,934	
Accrued wages and salaries	30,918	
Accrued pension	581	
Deferred revenues	1,725	
Due to other funds	<u>254</u>	
<b>Total liabilities</b>		<b>\$ 39,412</b>

**FUND BALANCE**

**Total liabilities and fund balance**

	<u>2,025,090</u>
<b>Total liabilities and fund balance</b>	<b><u><u>\$ 2,064,502</u></u></b>

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, 2011**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Property taxes	\$ 312,750	\$ 314,523	\$ 1,773
Licenses and permits	88,530	96,844	8,314
State shared revenues	400,000	554,237	154,237
Charges for services	104,000	106,012	2,012
Other revenues	59,300	65,110	5,810
Donations	4,000	5,000	1,000
	968,580	1,141,726	173,146
<b>Total revenues</b>			
	910,261	856,191	54,070
<b>EXPENDITURES</b>			
	58,319	285,535	227,216
<b>Excess of revenues over expenditures</b>			
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in		170,489	170,489
Transfers (out)		(68,379)	(68,379)
		102,110	102,110
<b>Total other financing sources (uses)</b>			
	58,319	387,645	329,326
<b>Net change in fund balance</b>			
<b>FUND BALANCE, JULY 1, 2010</b>	1,637,445	1,637,445	
<b>FUND BALANCE, JUNE 30, 2011</b>	\$ 1,695,764	\$ 2,025,090	\$ 329,326

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**  
**STATEMENT OF REVENUES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>PROPERTY TAXES</b>	\$ 312,750	\$ 314,523	\$ 1,773
<b>LICENSES AND PERMITS</b>			
Licenses, fees, permits		4,386	
Cable franchise fees		92,458	
<b>Total licenses and permits</b>	88,530	96,844	8,314
<b>STATE SHARED REVENUES</b>	400,000	554,237	154,237
<b>CHARGES FOR SERVICES</b>			
Tax collection administration		106,012	
<b>Total charges for services</b>	104,000	106,012	2,012
<b>OTHER REVENUES</b>			
Printing and publications		143	
Interest income		5,264	
Fire station lease		9,829	
Cell tower lease		30,300	
Rental income		1,600	
Donations		5,000	
Miscellaneous		8,922	
Metro act		9,052	
<b>Total other revenues</b>	63,300	70,110	6,810
<b>Total revenues</b>	<u>\$ 968,580</u>	<u>\$ 1,141,726</u>	<u>\$ 173,146</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**  
**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>TOWNSHIP BOARD</b>			
Salaries	\$	\$ 31,696	\$
Meetings and seminars		185	
Mileage		227	
Printing and publications		903	
Membership dues		5,617	
<b>Total township board</b>	41,789	38,628	3,161
<b>SUPERVISOR</b>			
Salary		33,302	
Meetings and seminars		695	
Miscellaneous		10	
<b>Total supervisor</b>	34,802	34,007	795
<b>PUBLIC WORKS</b>			
	4,769	6,732	(1,963)
<b>ELECTIONS</b>			
Workers		10,803	
Supplies		3,904	
Equipment		13	
Printing and publications		178	
Postage		665	
Miscellaneous		229	
Mileage		45	
<b>Total elections</b>	16,120	15,837	283
<b>PROFESSIONAL FEES</b>			
Audit fees		8,475	
Accounting services		726	
<b>Total professional fees</b>	14,600	9,201	5,399

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**  
**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>ASSESSOR</b>			
Salaries		91,158	
Professional fees		307	
Dues and memberships		850	
Training and seminars		431	
Supplies		352	
Mileage		612	
Miscellaneous		2,137	
Postage		2,777	
		<u>2,777</u>	
<b>Total assessor</b>	<u>100,056</u>	<u>98,624</u>	<u>1,432</u>
<b>LEGAL</b>			
Attorneys		6,926	
Other services		750	
		<u>750</u>	
<b>Total legal</b>	<u>8,750</u>	<u>7,676</u>	<u>1,074</u>
<b>CLERK</b>			
Salaries		57,876	
Mileage		340	
Training, seminars and dues		1,983	
Supplies		75	
		<u>75</u>	
<b>Total clerk</b>	<u>62,211</u>	<u>60,274</u>	<u>1,937</u>
<b>BOARD OF REVIEW</b>			
Salaries		1,288	
Supplies and publications		914	
Training and seminars		2,150	
		<u>2,150</u>	
<b>Total board of review</b>	<u>4,600</u>	<u>4,352</u>	<u>248</u>
<b>TREASURER</b>			
Salaries		63,662	
Supplies		75	
Mileage		889	
Miscellaneous		227	
Training		657	
		<u>657</u>	
<b>Total treasurer</b>	<u>67,567</u>	<u>65,510</u>	<u>2,057</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  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>UNALLOCATED</b>			
Salaries - secretary		19,432	
Custodial		2,675	
Payroll taxes		26,608	
Advance to flexible medical savings fund		20,000	
Insurance - health		121,799	
Insurance - general		43,762	
Pension		6,892	
Pension - administration		4,498	
Trash removal		502	
Supplies		3,903	
Equipment - maintenance		4,327	
Postage		3,997	
Grounds maintenance		6,163	
Buildings maintenance		8,061	
Telephone		4,498	
Utilities		8,261	
Internet		286	
Tax roll preparation		6,781	
Payroll processing		2,483	
Computers/new technology/software support		17,427	
Miscellaneous		374	
<b>Total unallocated</b>	<u>316,725</u>	<u>312,729</u>	<u>3,996</u>
<b>ZONING ADMINISTRATOR</b>			
Salary		37,870	
Miscellaneous		120	
Mileage		425	
Supplies		147	
Training		481	
<b>Total zoning administrator</b>	<u>41,697</u>	<u>39,043</u>	<u>2,654</u>
<b>CEMETERY</b>			
Salaries	8,500	6,000	2,500
<b>PLANNING COMMISSION</b>			
Salaries		4,075	
Consultant		4,930	
Legal fees		1,445	
Printing and publications		850	
Supplies		20	
<b>Total planning commission</b>	<u>14,350</u>	<u>11,320</u>	<u>3,030</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**  
**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>ZONING BOARD OF APPEALS</b>			
Salaries		625	
Attorney		1,287	
Printing and publications		110	
<b>Total zoning board of appeals</b>	<u>3,650</u>	<u>2,022</u>	<u>1,628</u>
<b>DRAINS</b>	<u>10,000</u>	<u>9,373</u>	<u>627</u>
<b>ROADS</b>			
Dust control		49,711	
<b>Total roads</b>	<u>51,000</u>	<u>49,711</u>	<u>1,289</u>
<b>RECREATION</b>			
Salary		600	
HAPRA contract		61,740	
<b>Total recreation</b>	<u>62,425</u>	<u>62,340</u>	<u>85</u>
<b>HERITAGE DAYS</b>	<u>10,950</u>		<u>10,950</u>
<b>BUILDING IMPROVEMENT</b>			
Capital outlay - equipment		1,463	
Debt service - principal and interest		21,349	
<b>Total building improvement</b>	<u>25,700</u>	<u>22,812</u>	<u>2,888</u>
<b>CONTINGENCY</b>	<u>10,000</u>		<u>10,000</u>
<b>Total expenditures</b>	<u>\$ 910,261</u>	<u>\$ 856,191</u>	<u>\$ 54,070</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.

**CEMETERY FUND**

MARION TOWNSHIP

CEMETERY FUND  
BALANCE SHEET  
JUNE 30, 2011

ASSETS

**ASSETS**

Cash

\$ 8,309

LIABILITIES AND FUND BALANCE

**LIABILITIES**

Accounts payable

\$ 1,048

**FUND BALANCE**

7,261

**Total liabilities and fund balance**

\$ 8,309

**MARION TOWNSHIP**

**CEMETERY FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Service charges	\$	\$ 6,500	\$
Interest		8	
<b>Total revenues</b>	3,100	6,508	3,408
<b>EXPENDITURES</b>			
Maintenance	7,800	5,775	2,025
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(4,700)	733	5,433
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	8,500		(8,500)
<b>Net change in fund balance</b>	3,800	733	(3,067)
<b>FUND BALANCE, JULY 1, 2010</b>	6,528	6,528	
<b>FUND BALANCE, JUNE 30, 2011</b>	\$ 10,328	\$ 7,261	\$ (3,067)

**RECREATION FUND**



MARION TOWNSHIP

RECREATION FUND  
BALANCE SHEET  
JUNE 30, 2011

ASSETS

**ASSETS**

Cash	\$	97,957
Due from others		100
		<hr/>
<b>Total assets</b>	<b>\$</b>	<b>98,057</b>
		<hr/> <hr/>

LIABILITIES AND FUND BALANCE

**LIABILITIES**

Accounts payable	\$	288
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**FUND BALANCE**

**Total liabilities and fund balance**

		<hr/>
		97,769
		<hr/>
	<b>\$</b>	<b>98,057</b>
		<hr/> <hr/>

**MARION TOWNSHIP**

**RECREATION FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Donations	\$	\$ 1,389	\$
Interest income		130	
Rental income		200	
<b>Total revenues</b>	250	1,719	1,469
<b>EXPENDITURES</b>			
Capital outlay		2,031	
Utilities		64	
Maintenance		5,393	
Miscellaneous		100	
<b>Total expenditures</b>	6,000	7,588	(1,588)
<b>Net change in fund balance</b>	(5,750)	(5,869)	(119)
<b>FUND BALANCE, JULY 1, 2010</b>	103,638	103,638	
<b>FUND BALANCE, JUNE 30, 2011</b>	\$ 97,888	\$ 97,769	\$ (119)

**WATER SYSTEM ASSESSMENT FUND**

**MARION TOWNSHIP**  
**WATER SYSTEM ASSESSMENT FUND**  
**BALANCE SHEET**  
**JUNE 30, 2011**

**ASSETS**

**ASSETS**

Cash	\$ 832,935
Special assessments and mortgage receivable, net	1,033,257
Accrued interest receivable	1,693
Note receivable - water new user	<u>1,050,000</u>
<b>Total assets</b>	<b><u><u>\$ 2,917,885</u></u></b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Deferred revenue - special assessments and mortgage receivable	\$ 1,033,257
Deferred revenue - water new user	<u>1,050,000</u>

**Total liabilities** **\$ 2,083,257**

**FUND BALANCE**

834,628

**Total liabilities and fund balance** **\$ 2,917,885**

**MARION TOWNSHIP**

**WATER SYSTEM ASSESSMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Special assessments - principal	\$	\$ 226,292	\$
Special assessments - interest		80,443	
Interest income		3,541	
	<b>331,531</b>	<b>310,276</b>	<b>(21,255)</b>
 <b>EXPENDITURES</b>			
Debt - principal		303,657	
Debt - interest		77,356	
Agent fees		381	
Professional fees		1,600	
	<b>385,913</b>	<b>382,994</b>	<b>2,919</b>
 <b>Net change in fund balance</b>	<b>(54,382)</b>	<b>(72,718)</b>	<b>(18,336)</b>
 <b>FUND BALANCE, JULY 1, 2010</b>	<b>907,346</b>	<b>907,346</b>	
 <b>FUND BALANCE, JUNE 30, 2011</b>	<b>\$ 852,964</b>	<b>\$ 834,628</b>	<b>\$ (18,336)</b>

**ASSESSMENT REVOLVING PROJECT FUND**

**MARION TOWNSHIP**  
**ASSESSMENT REVOLVING PROJECT FUND**  
**BALANCE SHEET**  
**JUNE 30, 2011**

**ASSETS**

**ASSETS**

Cash	\$ 72,497
Assessment receivable	<u>74,822</u>
<b>Total assets</b>	<b><u><u>\$ 147,319</u></u></b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	\$ 7,810
Deferred revenue	<u>74,822</u>
<b>Total liabilities</b>	<b>\$ 82,632</b>

**FUND BALANCE**

	<u>64,687</u>
<b>Total liabilities and fund balance</b>	<b><u><u>\$ 147,319</u></u></b>

MARION TOWNSHIP

ASSESSMENT REVOLVING PROJECT FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Special assessments	\$	\$ 81,033	\$
Interest income		52	
<b>Total revenues</b>	<u>63,754</u>	<u>81,085</u>	<u>17,331</u>
<b>EXPENDITURES</b>			
Project costs		108,208	
Publications		400	
Professional fees		600	
<b>Total expenditures</b>	<u>159,000</u>	<u>109,208</u>	<u>49,792</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(95,246)	(28,123)	67,123
<b>OTHER FINANCING SOURCES</b>			
Transfer in	<u>80,000</u>	<u>68,379</u>	<u>(11,621)</u>
<b>Change in fund balance</b>	(15,246)	40,256	55,502
<b>FUND BALANCE, JULY 1, 2010</b>	<u>24,431</u>	<u>24,431</u>	
<b>FUND BALANCE, JUNE 30, 2011</b>	<u>\$ 9,185</u>	<u>\$ 64,687</u>	<u>\$ 55,502</u>



**WATER NEW USER FUND**

**MARION TOWNSHIP**  
**WATER NEW USER FUND**  
**BALANCE SHEET**  
**JUNE 30, 2011**

**ASSETS**

**ASSETS**

Cash	\$	954,071
Special assessments receivable - unbonded, net		474,264
Due from other funds		<u>170,489</u>
<b>Total assets</b>		<b><u><u>\$ 1,598,824</u></u></b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	\$	63	
Deferred revenue - unbonded		474,264	
Due to other funds		475,697	
Accrued chargeback from county		<u>39,000</u>	
<b>Total liabilities</b>			<b>\$ 989,024</b>

**FUND BALANCE**

<b>Total liabilities and fund balance</b>			<b><u><u>\$ 1,598,824</u></u></b>
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**MARION TOWNSHIP**

**WATER NEW USER FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Special assessments	\$	\$ 94,489	\$
Connection fees		33,788	
Interest income		876	
<b>Total revenues</b>	165,214	129,153	(36,061)
<b>EXPENDITURES</b>			
Administration fees		2,204	
Professional fees		1,600	
Land acquisition		1,336	
<b>Total expenditures</b>	1,500	5,140	(3,640)
<b>Excess of revenues over (under) expenditures</b>	163,714	124,013	(39,701)
<b>OTHER FINANCING SOURCES USES</b>			
Transfer (out)		(170,489)	(170,489)
<b>Net change in fund balance</b>	163,714	(46,476)	(210,190)
<b>FUND BALANCE, JULY 1, 2010</b>	656,276	656,276	
<b>FUND BALANCE, JUNE 30, 2011</b>	\$ 819,990	\$ 609,800	\$ (210,190)

**SEWER FUND**

**MARION TOWNSHIP  
SEWER FUND  
STATEMENT OF REVENUES AND EXPENSES FOR OPERATIONS ONLY  
FOR THE YEARS ENDED JUNE 30, 2002 - 2011**

	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>6/30/2008</u>
<b>REVENUE</b>				
User charges -				
Quarterly charges for usage	\$ 202,607	\$ 173,243	\$ 190,260	\$ 196,837
<b>EXPENSES</b>				
Contract labor	38,177	45,984	51,565	37,908
Sewer usage fee	87,507	85,001	131,523	93,033
Utilities	9,041	9,263	7,838	7,558
Telephone	3,656	3,420	3,195	2,978
Administrative fees -				
Reimbursement to general fund	2,202	2,485	2,557	3,403
Billing administrative (Genoa Twp.)	14,615	14,272	14,072	13,713
Professional fees	14,067	25,969	30,662	36,037
Repairs and maintenance	6,663	48,366	6,721	1,591
Miscellaneous			650	1,513
<b>Total expenses</b>	<u>175,928</u>	<u>234,760</u>	<u>248,783</u>	<u>197,734</u>
<b>Net operating (loss)</b>	<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.

<u>6/30/2007</u>	<u>6/30/2006</u>	<u>6/30/2005</u>	<u>6/30/2004</u>	<u>6/30/2003</u>	<u>6/30/2002</u>
<u>\$ 155,289</u>	<u>\$ 150,605</u>	<u>\$ 119,196</u>	<u>\$ 82,997</u>	<u>\$ 51,546</u>	<u>\$ 26,503</u>
36,824	38,704	34,872	34,176	29,014	21,468
76,836	79,656	77,136	76,128	67,525	64,962
6,813	7,131	5,156	4,715	4,845	4,350
3,055	2,873	2,781	2,789	2,785	2,751
4,656	6,281	6,253	8,059	10,947	2,615
17,551	16,360	11,457	12,134	5,745	2,935
59,383	25,628	11,532	5,485	1,560	3,500
1,246	2,676	33,819	14,109		
<u>206,364</u>	<u>179,309</u>	<u>183,006</u>	<u>157,595</u>	<u>122,421</u>	<u>102,581</u>
<u>\$ (51,075)</u>	<u>\$ (28,704)</u>	<u>\$ (63,810)</u>	<u>\$ (74,598)</u>	<u>\$ (70,875)</u>	<u>\$ (76,078)</u>

**MARION TOWNSHIP**

**SEWER FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
User charges	\$ 162,000	\$ 202,607	\$ 40,607
Interest income - assessments	431,786	320,061	(111,725)
Interest income - bank	5,000	13,104	8,104
Connection fees	—	26,750	26,750
<b>Total revenues</b>	<b>598,786</b>	<b>562,522</b>	<b>(36,264)</b>
<b>EXPENSES</b>			
Amortization - bond issuance costs	—	67,592	(67,592)
Debt-interest expense	382,020	382,020	—
Maintenance of system (contract labor)	41,000	38,177	2,823
Administrative fees - billing admin.	14,300	14,615	(315)
Professional fees	12,900	14,067	(1,167)
Administrative fees - reimbursement to general fund	10,000	2,202	7,798
Agent fees	500	225	275
Repairs and maintenance	22,000	6,663	15,337
Utilities	7,800	9,041	(1,241)
Sewer usage	85,500	87,507	(2,007)
Depreciation	760,000	664,358	95,642
Telephone	3,500	3,656	(156)
Assessments - taxes/city	—	16,465	(16,465)
<b>Total expenses</b>	<b>1,339,520</b>	<b>1,306,588</b>	<b>32,932</b>
<b>Net change in net assets</b>	<b>(740,734)</b>	<b>(744,066)</b>	<b>(3,332)</b>
<b>BEGINNING NET ASSETS</b>	<b>21,133,047</b>	<b>21,133,047</b>	—
<b>ENDING NET ASSETS</b>	<b>\$ 20,392,313</b>	<b>\$ 20,388,981</b>	<b>\$ (3,332)</b>

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

**MARION TOWNSHIP**  
**SEWER FUND**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Retained Earnings Reserved</u>	<u>Retained Earnings (Deficit) Unreserved</u>	<u>Total</u>
<b>BALANCES, JULY 1, 2010</b>	\$ 21,598,454	\$ (465,407)	\$ 21,133,047
Operating income excluding depreciation expense		26,679	26,679
Connection fees	26,750		26,750
Depreciation (expense)	(664,358)		(664,358)
Interest income	333,165		333,165
Interest (expense) - debt	(382,020)		(382,020)
Agent (fees) - debt	(225)		(225)
Amortization - bond issuance costs	(67,592)		(67,592)
Assessments - taxes/city	(16,465)		(16,465)
<b>BALANCES, JUNE 30, 2011</b>	<u>\$ 20,827,709</u>	<u>\$ (438,728)</u>	<u>\$ 20,388,981</u>



**ESCROW FUND**

MARION TOWNSHIP

ESCROW FUND  
BALANCE SHEET  
JUNE 30, 2011

<b>ASSETS</b>		<u>ASSETS</u>	
Cash			\$ 23,184
			<u>                    </u>
			<u>                    </u>
<b>LIABILITIES</b>		<u>LIABILITIES</u>	
Due to others			\$ 23,184
			<u>                    </u>
			<u>                    </u>

**FLEXIBLE MEDICAL SAVINGS FUND**

**MARION TOWNSHIP**  
**FLEXIBLE MEDICAL SAVINGS FUND**  
**BALANCE SHEET**  
**JUNE 30, 2011**

**ASSETS**

**ASSETS**  
Cash

\$ 5,519

**LIABILITIES**

**LIABILITIES**  
Due to others

\$ 5,519



**PFEFFER ■ HANNIFORD ■ PALKA**  
*Certified Public Accountants*

**John M. Pfeffer, C.P.A.**  
**Patrick M. Hanniford, C.P.A.**  
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**FAX (810) 229-5578**

October 25, 2011

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

Dear Honorable Board Members:

In planning and performing our audit of the financial statements of Marion Township as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Marion Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness.

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

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

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

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

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

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

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

#### **Response by Management**

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

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

#### **Response by Management**

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

**Other Matters**

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

1. Special Assessments – Reconciliation Process

The Township does not reconcile on an interim basis the special assessments system with cash receipts – general ledger. For example we noted an individual did not pay an assessment through the typical tax collection process therefore the assessment went delinquent. The Township chose not to submit the delinquent assessment to the County for payment by the delinquent tax revolving fund. The special assessment system showed this assessment as being paid, thus the outstanding assessment balance owed to the Township was incorrect.

In the future, the Township should reconcile the special assessment reports to cash receipts/general ledger system.

2. Incorrect Disbursement Amount

We noted a disbursement was made for \$3,022. The invoice amount was for \$1,920. It appears the amount paid was the invoice number “3022”. The individuals who sign checks should always verify the amount on the check by comparing the check to the invoice prior to signing.

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

*Pfeffer, Hanniford & Palka, P.C.*

PFEFFER, HANNIFORD & PALKA  
Certified Public Accountants