

MARION TOWNSHIP

Report on Audit of Financial Statements

For the Year Ended June 30, 2013

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
James Murray

TOWNSHIP ATTORNEYS

Michael J. Kehoe, P.C.

TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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November 4, 2013

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, 2013, which collectively comprise Marion Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion Township as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 - 13 and 48 - 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

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

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

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA

Certified Public Accountants

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis June 30, 2013

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, 2013. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Township's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Position. This is the Township-wide statement of position presenting information that includes all the Township's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall health of the Township may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Township's net position changed during the current fiscal year. The design of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues generated by the Township.

Both government-wide financial statements distinguish governmental activities of the Township that are principally supported by taxes and revenue sharing from the business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include such activities as general government, public safety, and planning and zoning departments. Business-type activities include the sewer system operations. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Township programs.

The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units).

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Township has three kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net position.

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

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

Notes to the financial statements

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

Other information

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

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

Financial Analysis of the Township as a Whole

The Township's net position at the end of the fiscal year was \$36,022,550. This is a \$40,927 decrease over last year's net position of \$36,063,477.

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

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

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2012
<u>ASSETS</u>						
ASSETS						
Current and other assets	\$ 16,620,134	\$ 16,640,041	\$ 9,784,155	\$ 10,553,231	\$ 26,404,289	\$ 27,193,272
Capital assets	1,077,907	1,117,829	15,641,468	16,368,392	16,719,375	17,486,221
Total assets	17,698,041	17,757,870	25,425,623	26,921,623	43,123,664	44,679,493
<u>LIABILITIES</u>						
LIABILITIES						
Other liabilities	71,023	124,006	16,620	17,380	87,643	141,386
Bonds/contracts payable	808,471	1,114,630	6,205,000	7,360,000	7,013,471	8,474,630
Total liabilities	879,494	1,238,636	6,221,620	7,377,380	7,101,114	8,616,016
<u>NET POSITION</u>						
NET POSITION						
Invested in capital assets, net of related debt	1,077,907	1,117,829	9,436,468	9,008,392	10,514,375	10,126,221
Unrestricted	12,081,627	11,438,515	429,885	543,636	12,511,512	11,982,151
Restricted	3,659,013	3,962,890	9,337,650	9,992,215	12,996,663	13,955,105
Total net position	\$ 16,818,547	\$ 16,519,234	\$ 19,204,003	\$ 19,544,243	\$ 36,022,550	\$ 36,063,477

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

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2012
REVENUES						
Program revenues:						
Charges for services	\$ 284,500	\$ 216,362	\$ 220,408	\$ 212,747	\$ 504,908	\$ 429,109
Operating contributions	54,794	5,161			54,794	5,161
Capital contributions			65,000	9,500	65,000	9,500
General revenues:						
State shared revenues	735,366	837,786			735,366	837,786
Property taxes	294,866	298,201			294,866	298,201
Interest income						
investments and assessments	188,835	226,579	336,622	310,769	525,457	537,348
Other	205,467	114,765		80,000	205,467	194,765
Gain on sale of capital assets			553,119		553,119	
Change in equity of joint ventures	85,669	(169,299)			85,669	(169,299)
Total revenues	1,849,497	1,529,555	1,175,149	613,016	3,024,646	2,142,571
EXPENSES						
General government	764,704	835,252			764,704	835,252
Parks and recreation	84,116	75,481			84,116	75,481
Public works	649,219	449,907			649,219	449,907
Interest on long-term debt	52,145	65,298			52,145	65,298
Sewer system			1,515,389	1,457,754	1,515,389	1,457,754
Total expenses	1,550,184	1,425,938	1,515,389	1,457,754	3,065,573	2,883,692
Change in net position	299,313	103,617	(340,240)	(844,738)	(40,927)	(741,121)
BEGINNING NET POSITION	16,519,234	16,415,617	19,544,243	20,388,981	36,063,477	36,804,598
ENDING NET POSITION	\$ 16,818,547	\$ 16,519,234	\$ 19,204,003	\$ 19,544,243	\$ 36,022,550	\$ 36,063,477

The governmental activity net position increased by \$299,313, mostly due to maintaining or cutting costs of operations.

The business-type activity expenses exceeded revenues by \$340,240 (net loss) for the year ended June 30, 2013. This is primarily due to a lack of connection fees, and depreciation on capital assets. This is much less than the prior year due to sale of land.

Financial Analysis of the Township's Funds

The Township had four major funds for the year ended June 30, 2013. 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 expenditures exceeding revenues by \$14,375. The Township's road project costs increased significantly during the year over prior years due to the availability of the Livingston County Road Commission. This is the primary reason expenditures exceeded revenues.

The Water System Assessment Fund had revenues under expenditures totaling \$134,045. This fund accounts for the assessment and related debt service for the Township's participation in the Marion Howell Ocala Genoa (MHOOG) 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 \$180,877. This fund accounts for the tap-ins and unbonded assessments for the Township's participation in the Marion Howell Ocala Genoa (MHOOG) water authority.

The Township's sole business-type fund, the Sewer Fund, had a net loss of \$340,240. This 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. The loss is less than the prior year due to sale of land.

General Fund Budgetary Highlights

The Township adopted its budgets prior to beginning operations for the year ended June 30, 2013. The budgets were amended during the fiscal year to bring the budgets 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 had no capital additions during the year. The business-type fund sold land for \$615,685, but made no acquisitions.

The governmental funds issued no new debt during the year, but spent \$306,159 on principal and \$52,145 of interest on existing debt. The remaining debt in the governmental activities at June 30, 2013 was \$808,471.

The business-type fund issued no new debt during the year, but spent \$1,155,000 of principal and \$343,617 of interest on existing debt. The remaining debt in the business-type activities at June 30, 2013 was \$6,205,000.

Economic Conditions and Future Activities

Township residential growth is recovering with 81 new dwelling units in calendar year 2013. Nearly half of those units were built on lots purchased by the Township at state foreclosure auctions to protect sewer and water special assessments. There is stabilization in the Township taxable value and slight increases in revenue from non-tax sources.

There were no state foreclosures on property in the Township subject to special assessments in 2013.

Cash flow projections show a high probability that the Township will meet all bond obligations without using the general fund. It is therefore anticipated that some of fund balance in the general fund can be safely used for road projects.

The Township became a full member of the Howell Area Parks and Recreation Authority which results in substantial savings to residents who use the Howell City Park and other Howell Area Parks and Recreation Authority activities.

A trial agreement with Western Washtenaw Recycling Authority allows the Township to be a drop-off location for single-stream recycling. The facility has been used by many residents and appears to be successful.

Township participation in Advantage Livingston has led to the County being designated a Certified Connected Community by Connect Michigan. The certification and the action plan developed should inform those looking to relocate that Livingston County will be a good choice.

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 POSITION
JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
ASSETS			
Cash and investments	\$ 2,219,724	\$ 119,402	\$ 2,339,126
Cash and investments - restricted	1,594,734	5,341,530	6,936,264
Receivables:			
State shared revenues	241,887		241,887
Accounts		78,428	78,428
Special assessments restricted for capital and debt	1,109,040	3,996,120	5,105,160
Interest	3,023	3,451	6,474
Internal balances	13,966	(13,966)	
Investment in joint ventures	11,417,520		11,417,520
Capital assets			
Land	281,119	197,918	479,037
Other capital assets, net of depreciation	796,788	15,443,550	16,240,338
Bond issuance costs, net	11,815	71,440	83,255
Deferred amount on refunding bonds, net	8,425	187,750	196,175
Total assets	17,698,041	25,425,623	43,123,664
<u>LIABILITIES</u>			
LIABILITIES			
Accounts payable	27,120	16,620	43,740
Accrued liabilities	43,903		43,903
Noncurrent liabilities:			
Due within one year	306,157	1,195,000	1,501,157
Due beyond one year	502,314	5,010,000	5,512,314
Total liabilities	879,494	6,221,620	7,101,114
<u>NET POSITION</u>			
NET POSITION			
Invested in capital assets, net of related debt	1,077,907	9,436,468	10,514,375
Restricted for:			
Road construction and maintenance	138,456		138,456
Capital projects	1,222,792	2,249,168	3,471,960
Debt service	2,297,765	7,088,482	9,386,247
Unrestricted	12,081,627	429,885	12,511,512
Total net position	\$ 16,818,547	\$ 19,204,003	\$ 36,022,550

The notes are an integral part of the financial statements.

MARION TOWNSHIP

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions</u>	<u>Capital Contributions</u>
GOVERNMENTAL ACTIVITIES				
General government	\$ (764,704)	\$ 225,284	\$	\$
Parks and recreation/ community development	(84,116)	7,404	1,901	
Public works	(649,219)	51,812	52,893	
Interest on long-term debt	(52,145)			
Total governmental activities	(1,550,184)	284,500	54,794	
BUSINESS-TYPE ACTIVITY				
Sewer system	(1,383,465)	220,408		65,000
Total	\$ (2,933,649)	\$ 504,908	\$ 54,794	\$ 65,000

General revenues
 Property taxes
 State shared revenues
 Interest income - special assessments
 Interest income - cash and investments
 Rental income
 Other income
 Gain on sale of capital assets
 Transfers

Total general revenues and transfers

Change in equity of joint ventures

Changes in net position

Net position, July 1, 2012

Net position, June 30, 2013

Net (Expenses) Revenue and Changes

in Net Position

Governmental Activities	Business-type Activities	Total
\$ (539,420)	\$	\$ (539,420)
(74,811)		(74,811)
(544,514)		(544,514)
<u>(52,145)</u>		<u>(52,145)</u>
<u>(1,210,890)</u>		<u>(1,210,890)</u>
	<u>(1,098,057)</u>	<u>(1,098,057)</u>
<u>(1,210,890)</u>	<u>(1,098,057)</u>	<u>(2,308,947)</u>
294,866		294,866
735,366		735,366
182,024	330,106	512,130
6,811	6,516	13,327
33,160		33,160
40,383		40,383
	553,119	553,119
<u>131,924</u>	<u>(131,924)</u>	
1,424,534	757,817	2,182,351
<u>85,669</u>		<u>85,669</u>
299,313	(340,240)	(40,927)
<u>16,519,234</u>	<u>19,544,243</u>	<u>36,063,477</u>
<u>\$ 16,818,547</u>	<u>\$ 19,204,003</u>	<u>\$ 36,022,550</u>

The notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

MARION TOWNSHIP

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	Major Funds		
	General Fund	Water System Assessment Fund	Water New User Fund
<u>ASSETS</u>			
ASSETS			
Cash and investments	\$ 2,102,842	\$ 523,553	\$ 1,071,181
Receivables			
Special assessments, net		712,338	345,116
State shared revenues	241,887		
Accrued interest	1,115	1,908	
Due from other funds	8,000	9,966	
Advance from other funds		1,050,000	
	<hr/>	<hr/>	<hr/>
Total assets	<u><u>\$ 2,353,844</u></u>	<u><u>\$ 2,297,765</u></u>	<u><u>\$ 1,416,297</u></u>
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ 6,176	\$	\$ 53
Accrued wages and pension	36,240		
Due to other funds			4,000
Deferred revenues		712,338	345,116
Advance to other funds		1,050,000	
	<hr/>	<hr/>	<hr/>
Total liabilities	<u><u>42,416</u></u>	<u><u>1,762,338</u></u>	<u><u>349,169</u></u>
FUND BALANCES			
Restricted for:			
Private roads			
Debt service		535,427	
Capital projects			1,067,128
Committed to:			
Cemetery			
Capital improvement	78,865		
Community events	10,163		
Assigned to future budget deficits	111,166		
Unassigned	2,111,234		
	<hr/>	<hr/>	<hr/>
Total fund balances	<u><u>2,311,428</u></u>	<u><u>535,427</u></u>	<u><u>1,067,128</u></u>
Total liabilities and fund balances	<u><u>\$ 2,353,844</u></u>	<u><u>\$ 2,297,765</u></u>	<u><u>\$ 1,416,297</u></u>

The notes are an integral part of the financial statements.

Other Non-major Funds	Total
\$ 116,882	\$ 3,814,458
51,586	1,109,040
	241,887
	3,023
	17,966
	1,050,000
<u>\$ 168,468</u>	<u>\$ 6,236,374</u>
\$ 20,891	\$ 27,120
	36,240
	4,000
51,586	1,109,040
	1,050,000
<u>72,477</u>	<u>2,226,400</u>
93,768	93,768
	535,427
	1,067,128
2,223	2,223
	78,865
	10,163
	111,166
	2,111,234
<u>95,991</u>	<u>4,009,974</u>
<u>\$ 168,468</u>	<u>\$ 6,236,374</u>

MARION TOWNSHIP

**RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

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

Total fund balance per balance sheet		\$ 4,009,974
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>(600,336)</u>	
Capital assets net of depreciation		1,077,907
Bond issuance costs incurred in procuring bond financing transactions are not financial resources and therefore are not reported in the funds:		
Bond issuance costs	8,425	
Deferred amount on refunding bonds	<u>11,815</u>	
Bond issuance costs net of amortization		20,240
Equity interests in joint ventures are not financial resources and therefore not reported in the funds		
Equity in joint ventures		11,417,520
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Contracts payable	(378,471)	
Bonds payable	<u>(430,000)</u>	
Total long-term liabilities		(808,471)
Accrued sick and vacation is not included as a liability in the governmental funds		
		(7,663)
Deferred revenues on special assessments was recognized as revenue in the government-wide statements. Assessments are income as they are assessed.		
Deferred income	2,159,040	
Interfund SAD receivable	<u>(1,050,000)</u>	
Total		<u>1,109,040</u>
Net position of governmental activities		<u><u>\$ 16,818,547</u></u>

The notes are an integral part of the financial statements.

MARION TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Major Funds		
	General Fund	Water System Assessment Fund	Water New User Fund
REVENUES			
Taxes	\$ 294,866	\$	\$
Special assessments		210,544	180,682
State shared revenues	735,366		
Licenses and permits	117,739		
Connection fees			13,519
Rental income	33,160		
Donations	1,901		
Charges for services	114,949		
Interest	3,010	3,801	
Miscellaneous	28,767	11,514	102
Total revenues	<u>1,329,758</u>	<u>225,859</u>	<u>194,303</u>
EXPENDITURES			
Current:			
General government	732,651		
Parks and recreation/community development	77,440		
Public works	534,042	1,600	13,426
Debt service:			
Principal		306,159	
Interest		52,145	
Total expenditures	<u>1,344,133</u>	<u>359,904</u>	<u>13,426</u>
Excess of revenues over (under) expenditures	(14,375)	(134,045)	180,877
OTHER FINANCING SOURCES (USES)			
Transfers in			131,924
Net changes in fund balances	(14,375)	(134,045)	312,801
FUND BALANCE, JULY 1, 2012	<u>2,325,803</u>	<u>669,472</u>	<u>754,327</u>
FUND BALANCE, JUNE 30, 2013	<u>\$ 2,311,428</u>	<u>\$ 535,427</u>	<u>\$ 1,067,128</u>

The notes are an integral part of the financial statements.

Other Non-major Funds	Total
\$	\$ 294,866
93,781	485,007
	735,366
	117,739
	13,519
	33,160
	1,901
1,500	116,449
	6,811
	40,383
95,281	1,845,201
	732,651
	77,440
91,871	640,939
	306,159
	52,145
91,871	1,809,334
3,410	35,867
	131,924
3,410	167,791
92,581	3,842,183
\$ 95,991	\$ 4,009,974

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, 2013**

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

Net change in fund balances - governmental funds		\$ 167,791
<p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which depreciation exceeded capital outlay is as follows:</p>		
Depreciation expense		(39,922)
<p>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.</p>		
Amortization of bond issuance costs		(8,280)
<p>Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:</p>		
Repayment of contracts payable	\$ 126,159	
Repayment of bonds payable	180,000	
Net effect of debt retirement		306,159
<p>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.</p>		
Principal collected on assessments	(302,983)	
Assessments levied	89,686	
Net effect of assessments		(213,297)
<p>Accrued sick and vacation is not included as an expenditure in the governmental funds.</p>		
		1,193
<p>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.</p>		
		85,669
Change in net position of governmental activities		<u><u>\$ 299,313</u></u>

The notes are an integral part of the financial statements.

MARION TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY - SEWER FUND
JUNE 30, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 119,402	
Accounts receivable - usage	78,428	
Total current assets		\$ 197,830

CURRENT ASSETS (RESTRICTED)

Cash and cash equivalents - debt service & future improvements	3,144,862	
Cash and cash equivalents - phase II plant	2,196,668	
Accrued interest	3,451	
Total current assets (restricted)		5,344,981

PROPERTY, PLANT AND EQUIPMENT

Sewer collection system	14,046,608	
Sewer plant	9,795,116	
Computers, equipment, software	134,102	
Land	197,918	
	24,173,744	
Less: accumulated depreciation	(8,532,276)	
Net property, plant and equipment		15,641,468

OTHER ASSETS

Bond issuance costs, net	71,440	
Deferred amount on refunding bonds, net	187,750	
Total other assets		259,190

RESTRICTED ASSETS

Special assessments receivable - bonded	3,943,620	
Special assessments receivable - unbonded	52,500	
Total restricted assets		3,996,120
Total assets		<u>\$ 25,439,589</u>

The notes are an integral part of the financial statements.

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 16,620
Due to other funds	13,966
Bond payable - refunding series 2007 (from restricted assets)	<u>1,195,000</u>

Total current liabilities \$ 1,225,586

LONG-TERM LIABILITIES

Bond payable - refunding series 2007 (from restricted assets)	<u>5,010,000</u>
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Total liabilities 6,235,586

NET POSITION

Invested in capital assets net of related debt	9,436,468
Reserved for:	
Capital projects	2,249,168
Debt service	7,088,482
Unreserved	<u>429,885</u>

Total net position 19,204,003

Total liabilities and net position \$ 25,439,589

MARION TOWNSHIP

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY - SEWER FUND
 FOR THE YEAR ENDED JUNE 30, 2013**

OPERATING REVENUES

User charges		\$ 220,408
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OPERATING EXPENSES

Contract labor	\$ 47,460	
Sewer usage fee	114,199	
Depreciation expense	664,358	
Utilities	9,896	
Telephone	5,075	
Administrative fees - reimbursement to general fund	4,000	
Professional fees	9,290	
Administrative fees - billing administration Genoa Township	15,560	
Repairs and maintenance	4,872	

Total operating expenses		<u>874,710</u>
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Operating (loss)		(654,302)
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NON-OPERATING REVENUES AND (EXPENSES)

Interest income - assessments	330,106	
Interest income - cash and investments	6,516	
Interest expense - debt	(343,617)	
Amortization - bond issuance costs	(18,630)	
Gain on the sale of capital assets	553,119	
Tax chargebacks	(146,508)	

Total non-operating net revenues		380,986
---	--	---------

CAPITAL CONTRIBUTIONS

Connection fees - new users		65,000
-----------------------------	--	--------

TRANSFERS (OUT)

		<u>(131,924)</u>
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Change in net position		(340,240)
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NET POSITION, JULY 1, 2012		<u>19,544,243</u>
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NET POSITION, JUNE 30, 2013		<u><u>\$ 19,204,003</u></u>
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The notes are an integral part of the financial statements.

MARION TOWNSHIP

**STATEMENT OF CASH FLOWS
PROPRIETARY - SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2013**

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	
Cash receipts from:	
Customer usage	\$ 218,047
Cash disbursements to:	
Operating vendors	<u>(208,910)</u>
Net cash from operating activities	9,137
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of capital assets	\$ 615,685
Special assessment collections - principal and interest	1,073,779
Connection fees received	65,000
Repayment of bond payable - principal and interest	(1,449,655)
Short term advance and repayment to other fund	76,070
Transfers out	(131,924)
Repayment of tax chargebacks	<u>(146,508)</u>
Net cash flows from (used in) capital and related financing activities	102,447
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income - cash and investments	<u>6,659</u>
Increase in cash and cash equivalents	118,243
BALANCE, JULY 1, 2012	<u>5,342,689</u>
BALANCE, JUNE 30, 2013	<u><u>\$ 5,460,932</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM (USED IN) OPERATING ACTIVITIES	
Operating (loss)	\$ (654,302)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation expense	664,358
Change in assets and liabilities:	
Receivables, net	(2,361)
Accounts and other payables	<u>1,442</u>
Net cash from operating activities	<u><u>\$ 9,137</u></u>

The notes are an integral part of the financial statements.

MARION TOWNSHIP

STATEMENT OF ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 JUNE 30, 2013

	Agency Funds			Total
	Escrow Fund	Flexible Medical Savings Fund	Current Tax Fund	
<u>ASSETS</u>				
ASSETS				
Cash	\$ 13,570	\$ 3,228	\$ 100	\$ 16,898
Due from others		21,349		21,349
Total assets	\$ 13,570	\$ 24,577	\$ 100	\$ 38,247
<u>LIABILITIES</u>				
LIABILITIES				
Due to others	\$ 13,570	\$ 24,577	\$ 100	\$ 38,247

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, 2013

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 five member board. The Authority was incorporated January 1, 2002 and is audited as an independent entity in compliance with Public Act 2.
3. Howell Area Parks and Recreation Authority - Marion Township appoints one member of the Authority's five member board. The Authority was incorporated July 1, 2008 and is audited as an independent entity in compliance with Public Act 2.

B. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 and 63 - *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 Position and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

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

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

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The Township reports the following major governmental funds:

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

The Water Assessment Fund accounts for all the activity associated with the activity surrounding the collection of special assessment and payment of debt service for the Township's involvement with 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 of the water system (MHOG).

The Township reports the following major business-type fund:

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

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

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

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

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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 2012 - 2013 fiscal year budget for each governmental fund was adopted by the Township Board in June of 2012. 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. 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.

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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 \$363,861,246. For the year ended June 30, 2013, the Township recognized the property taxes levied December 1, 2012 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.

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 Position date, the Township considers all of its current receivables to be collectable.

L. FUND EQUITY

In March 2009, the GASB issued 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-type 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 on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - Nonspendable, restricted, committed, assigned, and unassigned.

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

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

MARION TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 twelve (12) 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, 2013, deposits in banks totaled \$7,106,377 which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 2,473,711
Uninsured and collateralized by securities held by pledging financial institutions	51,350
Uninsured and Uncollateralized	<u>4,581,316</u>
Total deposits in banks	<u>\$ 7,106,377</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, 2013 the Township's investments were exposed to custodial credit risk as follows:

Insured by SIPC	\$ 500,000
Insured by commercial insurance	<u>1,696,668</u>
	<u>\$ 2,196,668</u>

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 2 - DEPOSITS AND INVESTMENTS - continued

Beginning January 1, 2013, the temporary unlimited coverage for non-interest-bearing transaction accounts expired. As a result, accounts held by an official custodian of a government unit will be insured up to \$250,000 for the combined amount of all time and savings accounts (including NOW accounts) and up to \$250,000 for all demand deposit accounts (interest-bearing and non-interest-bearing).

Credit Risk

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

As of June 30, 2013 the Township's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>	<u>Amount</u>
MS Money Funds	Unrated	\$ 2,196,668

The Township's investment policy addresses credit risk and investments held at June 30, 2013 comply with the policy and statutory authority.

As of June 30, 2013 cash and cash equivalents consist of the following:

Cash and cash equivalents	
Deposits with financial institutions	\$ 7,106,377
Money market fund	2,196,668
Cash on hand	<u>400</u>
Total cash and cash equivalents	<u><u>\$ 9,303,445</u></u>

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

Statement of Net Position	
Cash and cash equivalents	\$ 2,339,126
Cash and cash equivalents - restricted	<u>6,936,234</u>
Total	9,275,360

Fiduciary Funds	
Cash and cash equivalents	<u>16,898</u>
Total cash and cash equivalents	<u><u>\$ 9,292,258</u></u>

Variance between amounts stated 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, 2013**

NOTE 3 - INTERFUND TRANSACTIONS AND BALANCES

Interfund receivables and payables between individual funds of the Township, as reported in the fund financial statements, as of June 30, 2013 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>June 30, 2013 Balance</u>	<u>Description</u>
General Fund	Sewer O&M Fund	\$ 4,000	Allocated wages
General Fund	Water-New User Fund	4,000	Allocated wages
Water System Assessment	Sewer O&M Fund	9,966	Reimbursement
		<u>\$ 17,966</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.

There was \$131,924 transferred from the Sewer Operations and Maintenance Fund to the Water New User Fund that was related to a land sale to pay down the related water assessments.

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 4 - CAPITAL ASSETS

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

	<u>Audited Balance 7/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Audited Balance 6/30/2013</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated				
Land	\$ 281,119	\$	\$	\$ 281,119
Capital assets being depreciated:				
Buildings	1,204,795			1,204,795
Equipment	96,164			96,164
Park improvements	96,165			96,165
Subtotal	<u>1,397,124</u>			<u>1,397,124</u>
Accumulated depreciation:				
Buildings	(469,315)	(25,575)		(494,890)
Equipment	(64,007)	(7,671)		(71,678)
Park improvements	(27,092)	(6,676)		(33,768)
Subtotal	<u>(560,414)</u>	<u>(39,922)</u>		<u>(600,336)</u>
Net capital assets being depreciated	<u>836,710</u>	<u>(39,922)</u>		<u>796,788</u>
Net capital assets	<u>\$ 1,117,829</u>	<u>\$ (39,922)</u>	<u>\$</u>	<u>\$ 1,077,907</u>

There is no debt related to these assets.

MARION TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 4 - CAPITAL ASSETS - continued

	<u>Audited Balance 7/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Audited Balance 6/30/2013</u>
<u>Business-type Activities</u>				
Capital assets not being depreciated				
Land	\$ 260,484	\$	\$ 62,566	\$ 197,918
Capital assets being depreciated:				
Sewer plant	9,795,116			9,795,116
Collection system	14,046,608			14,046,608
Equipment	134,102			134,102
Subtotal	<u>23,975,826</u>			<u>23,975,826</u>
Accumulated depreciation:				
Sewer plant	(3,156,388)	(267,757)		(3,424,145)
Collection system	(4,577,429)	(396,601)		(4,974,030)
Equipment	(134,101)			(134,101)
Subtotal	<u>(7,867,918)</u>	<u>(664,358)</u>		<u>(8,532,276)</u>
Net capital assets being depreciated	<u>16,107,908</u>	<u>(664,358)</u>		<u>15,443,550</u>
Net capital assets	<u>\$ 16,368,392</u>	<u>\$ (664,358)</u>	<u>\$ 62,566</u>	15,641,468
Less: Related long-term debt outstanding as of June 30, 2013				<u>(6,205,000)</u>
Net assets invested in business-type capital assets net of related debt				<u>\$ 9,436,468</u>

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

Governmental activities:

General government	\$ 33,246
Parks and recreation	<u>6,676</u>
	39,922

Business-type activities:

Sewer disposal	<u>664,358</u>
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Total government-wide depreciation \$ 704,280

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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>
Governmental activities:					
Livingston County Joint Water System Series D	\$ 1,125,000	\$ 35,185 — \$ 72,685	6/1/2016	5.12 — 8.0%	\$ 218,055
Livingston County Joint Water System Series E	\$ 743,750	\$ 22,222 — \$ 53,472	6/1/2016	5.20 — 5.375%	<u>160,416</u>
Total contracts payable outstanding					<u><u>\$ 378,471</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>
2014	\$ 126,157	\$ 20,859
2015	126,157	13,922
2016	<u>126,157</u>	<u>6,970</u>
	<u><u>\$ 378,471</u></u>	<u><u>\$ 41,751</u></u>

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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>
Governmental activities:					
2005 Joint Water System refunding bonds	\$ 1,995,000	\$ 75,000 — \$ 230,000	5/1/2016	2.8 — 4.0%	\$ 430,000
Business-type activities:					
2005 Sanitary Sewer refunding bonds	\$ 13,525,000	\$ 115,000 — \$ 1,210,000	6/1/2019	3.5 — 4.2%	<u>6,205,000</u>
Total general obligation bonds					<u><u>\$ 6,635,000</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>
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			1,180,000	107,168
2018			945,000	59,378
2019			480,000	20,160
	<u>\$ 430,000</u>	<u>\$ 29,975</u>	<u>\$ 6,205,000</u>	<u>\$ 794,716</u>

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 5 - LONG-TERM DEBT - continued

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

	<u>Balance 7/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2013</u>	<u>Due Within One Year</u>
Governmental activities:					
Contracts payable	\$ 504,630	\$	\$ 126,159	\$ 378,471	\$ 126,157
General obligation bonds	<u>610,000</u>		<u>180,000</u>	<u>430,000</u>	<u>180,000</u>
Governmental activity long-term liabilities	1,114,630		306,159	808,471	306,157
Business-type activities:					
General obligation bonds	<u>7,360,000</u>		<u>1,155,000</u>	<u>6,205,000</u>	<u>1,195,000</u>
Total long-term liabilities	<u>\$ 8,474,630</u>	<u>\$</u>	<u>\$ 1,461,159</u>	<u>\$ 7,013,471</u>	<u>\$ 1,501,157</u>

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, 2013 was \$347,895.

TOTAL CURRENT YEAR EMPLOYER CONTRIBUTIONS

\$ 6,958

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.

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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>7/1/2012</u>	<u>6/30/2013</u>
Current assets		
Cash and cash equivalents	\$ 5,342,689	\$ 5,460,932

NOTE 8 - SPECIAL ASSESSMENTS RECEIVABLE

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

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

	<u>Water Assessment Fund</u>	<u>Water New User Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Gross special assessments receivable	\$ 861,908	\$ 500,404	\$ 5,590,936	\$ 6,953,248
Less: allowance for uncollectable assessments	(149,570)	(155,288)	(1,594,816)	(1,899,674)
Net special assessments receivable	\$ 712,338	\$ 345,116	\$ 3,996,120	\$ 5,053,574

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 9 - 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, 2013 consisted of the following:

	<u>Water Assessment Fund</u>	<u>Water New User Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 523,553	\$ 1,071,181	\$ 5,341,530	\$ 6,936,264
Special assessment receivables	712,338	524,130	3,996,120	5,232,588
Total	<u>\$ 1,235,891</u>	<u>\$ 1,595,311</u>	<u>\$ 9,337,650</u>	<u>\$ 12,168,852</u>

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

NOTE 10 - INVESTMENT IN JOINT VENTURES

As of June 30, 2013 the Township has investments in three joint ventures as follows:

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

The Township is a member of the Marion, Howell, Oceola, Genoa Joint Sewer and Water Authority (hereinafter "MHOG"). As the name implies MHOG was incorporated by the Townships of Marion, Howell, Oceola and Genoa. MHOG was formed to operate and maintain a joint water system that serves residents in each member township. Marion Township holds a 25% share of the equity in this joint venture which amounted to \$10,847,589 as of June 30, 2013. Such amount is recorded in the government-wide statement of net position as an investment in joint ventures. The Township is unaware of any circumstances that would cause additional benefit or burden to the participating governments of the joint venture in the foreseeable future. Complete financial statements of MHOG can be obtained from the administrative offices of MHOG at 2911 Dorr Road, Howell, MI 48843. Selected financial information of MHOG as of and for the fiscal year ended September 30, 2012 (the date financial information was last available) were as follows:

Total assets	\$ 47,417,070
Total liabilities	\$ 4,026,715
Total net position	\$ 43,390,355
Total revenue	\$ 3,001,526
Total expenses	\$ 3,064,997

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 10 - 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 \$569,931 as of June 30, 2013. Such amount is recorded in the government-wide statement of net position as an investment in joint ventures. The Township is unaware of any circumstances that would cause additional benefit or burden to the participating governments of the joint venture in the foreseeable future. Complete financial statements for the Fire Authority can be obtained from the administrative offices of the Authority 1211 W. Grand River, Howell, Michigan. Selected financial information of the Fire Authority as of and for the fiscal year ended June 30, 2013 was as follows:

Total assets	\$ 3,340,076
Total liabilities	\$ 490,422
Total net assets	\$ 2,849,654
Total revenue	\$ 2,283,474
Total expenditures	\$ 1,750,797

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, 2013 is insignificant and is therefore not recorded within the governmental activities column in the Statement of Net Position. The Township holds a 25% share in the Authority.

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 10 - INVESTMENT IN JOINT VENTURES - continued

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, 2012 (the date financial information was last available) was as follows:

Total assets	\$	142,278
Total liabilities	\$	105,889
Total net position	\$	36,389
Total revenue	\$	915,034
Total expenditures	\$	883,866

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, 2013

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$	\$	\$ 294,866	\$
Licenses and permits			117,739	
State shared revenues			735,366	
Charges for services			107,545	
Other revenues			74,242	
Total revenues	1,234,701	1,235,681	1,329,758	94,077
EXPENDITURES	1,540,829	1,488,942	1,344,133	144,809
Net change in fund balance	(306,128)	(253,261)	(14,375)	238,886
FUND BALANCE, JULY 1, 2012	2,325,803	2,325,803	2,325,803	
FUND BALANCE, JUNE 30, 2013	<u>\$ 2,019,675</u>	<u>\$ 2,072,542</u>	<u>\$ 2,311,428</u>	<u>\$ 238,886</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, 2013

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Special assessments - principal	\$	\$	\$ 161,756	\$
Special assessments - interest			48,788	
Interest income			3,801	
Other			11,514	
Total revenues	<u>268,598</u>	<u>268,598</u>	<u>225,859</u>	<u>(42,739)</u>
EXPENDITURES				
Debt - principal			306,159	
Debt - interest			51,764	
Agent fees			381	
Other			1,600	
Total expenditures	<u>359,923</u>	<u>359,923</u>	<u>359,904</u>	<u>19</u>
Net change in fund balance	(91,325)	(91,325)	(134,045)	(42,720)
FUND BALANCE, JULY 1, 2012	<u>669,472</u>	<u>669,472</u>	<u>669,472</u>	
FUND BALANCE, JUNE 30, 2013	<u>\$ 578,147</u>	<u>\$ 578,147</u>	<u>\$ 535,427</u>	<u>\$ (42,720)</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

MARION TOWNSHIP

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013. The Water New User Fund is classified as a capital projects fund and under PA #2 is not required to adopt an operating budget.

Budget Overruns

In funds that were required to adopt budgets, during the year ended June 30, 2013 expenditures exceeded appropriations in no functional activities.

SUPPLEMENTAL INFORMATION

COMBINING FINANCIAL STATEMENTS

MARION TOWNSHIP

ALL FUNDS INCLUDED IN GASB 54 GENERAL FUND CONSOLIDATION
 COMBINING BALANCE SHEET
 JUNE 30, 2013

	<u>General Fund Pre - GASB 54 Consolidation</u>	<u>Recreation Fund</u>	<u>Heritage Days Fund</u>	<u>Totals Restated General Fund</u>
ASSETS				
Cash and investments	\$ 2,005,982	\$ 86,697	\$ 10,163	\$ 2,102,842
Interest receivable	1,115			1,115
State shared revenue receivable	241,887			241,887
Due from other funds	8,000			8,000
Total assets	<u>2,256,984</u>	<u>86,697</u>	<u>10,163</u>	<u>2,353,844</u>
Liabilities				
Accounts payable	\$ 5,644	\$ 532	\$	\$ 6,176
Accrued wages and pension payable	36,090	150		36,240
Total liabilities	<u>41,734</u>	<u>682</u>		<u>42,416</u>
Fund Balances				
Committed to:				
Capital improvement		78,865		78,865
Community events			10,163	10,163
Assigned to future budget deficits	104,016	7,150		111,166
Unassigned	2,111,234			2,111,234
Total fund balance	<u>2,215,250</u>	<u>86,015</u>	<u>10,163</u>	<u>2,311,428</u>
Total liabilities and fund balance	<u>\$ 2,256,984</u>	<u>\$ 86,697</u>	<u>\$ 10,163</u>	<u>\$ 2,353,844</u>

MARION TOWNSHIP

ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

	<u>Cemetery Fund</u>	<u>Water System Assessment Fund</u>	<u>Assessment Revolving Project Fund</u>	<u>Totals</u>
<u>ASSETS</u>				
ASSETS				
Cash	\$ 3,325	\$ 523,553	\$ 113,557	\$ 640,435
Note receivable - water new user		1,050,000		1,050,000
Special assessments receivable, net		712,338	51,586	763,924
Accrued interest receivable		1,908		1,908
Due from other funds		9,966		9,966
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,325</u>	<u>\$ 2,297,765</u>	<u>\$ 165,143</u>	<u>\$ 2,466,233</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$ 1,102	\$	\$ 19,789	\$ 20,891
Deferred revenue		1,762,338	51,586	1,813,924
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	1,102	1,762,338	71,375	1,834,815
FUND BALANCE	<u>2,223</u>	<u>535,427</u>	<u>93,768</u>	<u>631,418</u>
Total liabilities and fund balance	<u>\$ 3,325</u>	<u>\$ 2,297,765</u>	<u>\$ 165,143</u>	<u>\$ 2,466,233</u>

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, 2013

	General Fund - Pre GASB 54 Consolidation	Recreation Fund	Heritage Days Fund	Totals Restated General Fund
REVENUES				
Taxes	\$ 294,866	\$	\$	\$ 294,866
Licenses and permits	117,739			117,739
State shared revenues	735,366			735,366
Charges for services	107,545			107,545
Interest	3,010			3,010
Cell tower lease	31,260			31,260
Community event income			7,404	7,404
Donation		251	1,650	1,901
Other	30,239		428	30,667
Total revenues	<u>1,320,025</u>	<u>251</u>	<u>9,482</u>	<u>1,329,758</u>
EXPENDITURES				
Current:				
Township board	39,839			39,839
Supervisor	35,150			35,150
Public works	4,637			4,637
Election	14,428			14,428
Professional fees	33,326			33,326
Assessor	83,207			83,207
Legal	11,036			11,036
Clerk	65,196			65,196
Board of review	3,262			3,262
Treasurer	66,848			66,848
Unallocated	313,017			313,017
Zoning	42,837			42,837
Cemetery	6,000			6,000
Planning commission	8,542			8,542
Zoning board of appeals	3,022			3,022
Drains	11,159			11,159
Roads	512,246			512,246
Recreation	64,485	6,178		70,663
Community event expenditures			6,777	6,777
Building improvement	12,941			12,941
Total expenditures	<u>1,331,178</u>	<u>6,178</u>	<u>6,777</u>	<u>1,344,133</u>
Net changes in fund balances	(11,153)	(5,927)	2,705	(14,375)
FUND BALANCE, JULY 1, 2012	<u>2,226,403</u>	<u>91,942</u>	<u>7,458</u>	<u>2,325,803</u>
FUND BALANCE, JUNE 30, 2013	<u>\$ 2,215,250</u>	<u>\$ 86,015</u>	<u>\$ 10,163</u>	<u>\$ 2,311,428</u>

MARION TOWNSHIP

**ALL SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Cemetery Fund</u>	<u>Water System Assessment Fund</u>	<u>Assessment Revolving Project Fund</u>	<u>Totals</u>
REVENUES				
Special assessments	\$	\$ 210,544	\$ 93,781	\$ 304,325
Service charges	1,500			1,500
Interest income		3,801		3,801
Other		11,514		11,514
Total revenues	<u>1,500</u>	<u>225,859</u>	<u>93,781</u>	<u>321,140</u>
EXPENDITURES				
Construction and maintenance	7,681		83,590	91,271
Debt service		357,923		357,923
Agent fees		381		381
Other		1,600	600	2,200
Total expenditures	<u>7,681</u>	<u>359,904</u>	<u>84,190</u>	<u>451,775</u>
Net changes in fund balances	(6,181)	(134,045)	9,591	(130,635)
FUND BALANCE, JULY 1, 2012	<u>8,404</u>	<u>669,472</u>	<u>84,177</u>	<u>762,053</u>
FUND BALANCE, JUNE 30, 2013	<u>\$ 2,223</u>	<u>\$ 535,427</u>	<u>\$ 93,768</u>	<u>\$ 631,418</u>

INDIVIDUAL FUNDS

GENERAL FUND (PRE GASB 54 RESTATEMENT)

MARION TOWNSHIP

GENERAL FUND (PRE GASB 54 RESTATEMENT)
BALANCE SHEET
JUNE 30, 2013

ASSETS

ASSETS

Cash	\$ 2,005,982
Accounts receivable - state	241,887
Accrued interest receivable	1,115
Due from other funds	<u>8,000</u>
Total assets	<u><u>\$ 2,256,984</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 5,644
Accrued wages and salaries	35,569
Accrued pension	<u>521</u>

Total liabilities \$ 41,734

FUND BALANCE

2,215,250

Total liabilities and fund balance **\$ 2,256,984**

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, 2013**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 275,000	\$ 294,866	\$ 19,866
Licenses and permits	109,380	117,739	8,359
State shared revenues	700,000	735,366	35,366
Charges for services	102,000	107,545	5,545
Other revenues	49,301	64,509	15,208
Total revenues	1,235,681	1,320,025	84,344
EXPENDITURES	1,471,792	1,331,178	140,614
Net change in fund balance	(236,111)	(11,153)	224,958
FUND BALANCE, JULY 1, 2012	2,226,403	2,226,403	
FUND BALANCE, JUNE 30, 2013	\$ 1,990,292	\$ 2,215,250	\$ 224,958

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

MARION TOWNSHIP

**GENERAL FUND (PRE GASB 54 RESTATEMENT)
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Budget	Actual	Variance Favorable (Unfavorable)
PROPERTY TAXES	\$ 275,000	\$ 294,866	\$ 19,866
LICENSES AND PERMITS			
Licenses, fees, permits		14,950	
Cable franchise fees		102,789	
Total licenses and permits	109,380	117,739	8,359
STATE SHARED REVENUES	700,000	735,366	35,366
CHARGES FOR SERVICES			
Elections		760	
Tax collection administration		106,785	
Total charges for services	102,000	107,545	5,545
OTHER REVENUES			
Printing and publications		55	
Interest income		3,010	
Video franchise fees		14,402	
Cell tower lease		31,260	
Rental income		1,900	
Miscellaneous		4,403	
Metro act		9,479	
Total other revenues	49,301	64,509	15,208
Total revenues	\$ 1,235,681	\$ 1,320,025	\$ 84,344

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

MARION TOWNSHIP

**GENERAL FUND (PRE GASB 54 RESTATEMENT)
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Budget	Actual	Variance Favorable (Unfavorable)
TOWNSHIP BOARD			
Salaries	\$	\$ 31,817	\$
Meetings and seminars		473	
Mileage		63	
Printing and publications		2,033	
Membership dues		5,453	
	41,464	39,839	1,625
SUPERVISOR			
Salary		34,301	
Meetings and seminars		849	
	35,802	35,150	652
PUBLIC WORKS			
	5,100	4,637	463
ELECTIONS			
Workers		7,958	
Supplies		4,672	
Equipment		602	
Printing and publications		206	
Postage		528	
Mileage		77	
Miscellaneous		385	
	16,070	14,428	1,642
PROFESSIONAL FEES			
Financial services		8,500	
Software support		11,790	
Economic development		12,000	
Other		1,036	
	35,000	33,326	1,674

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

MARION TOWNSHIP

GENERAL FUND (PRE GASB 54 RESTATEMENT)
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ASSESSOR			
Salaries		77,282	
Professional fees		579	
Dues and memberships		585	
Training and seminars		1,114	
Supplies		285	
Mileage		320	
Miscellaneous		220	
Postage		2,822	
Total assessor	<u>89,450</u>	<u>83,207</u>	<u>6,243</u>
LEGAL			
	<u>19,050</u>	<u>11,036</u>	<u>8,014</u>
CLERK			
Salaries		62,751	
Mileage		326	
Training, seminars and dues		1,927	
Supplies		92	
Miscellaneous		100	
Total clerk	<u>66,687</u>	<u>65,196</u>	<u>1,491</u>
BOARD OF REVIEW			
Salaries		2,588	
Supplies and publications		412	
Training and seminars		262	
Total board of review	<u>4,000</u>	<u>3,262</u>	<u>738</u>
TREASURER			
Salaries		64,752	
Supplies		163	
Mileage		1,043	
Miscellaneous		254	
Training		636	
Total treasurer	<u>70,352</u>	<u>66,848</u>	<u>3,504</u>

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

MARION TOWNSHIP

GENERAL FUND (PRE GASB 54 RESTATEMENT)
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
UNALLOCATED			
Salaries - secretary		23,223	
Custodial		2,650	
Payroll taxes		24,899	
Advance to flexible medical savings fund		9,500	
Insurance - health		148,771	
Insurance - general		32,841	
Pension		6,958	
Pension - administration		4,674	
Trash removal		704	
Supplies		3,905	
Equipment - maintenance		4,068	
Postage		3,536	
Grounds maintenance		6,877	
Buildings maintenance		16,447	
Telephone		5,812	
Utilities		9,043	
Internet		149	
Tax roll preparation		5,420	
Payroll processing		2,701	
Miscellaneous		839	
	<u>357,427</u>	<u>313,017</u>	<u>44,410</u>
ZONING ADMINISTRATOR			
Salary		41,594	
Miscellaneous		120	
Mileage		847	
Supplies		77	
Training		199	
	<u>47,605</u>	<u>42,837</u>	<u>4,768</u>
CEMETERY			
Salaries	<u>8,500</u>	<u>6,000</u>	<u>2,500</u>

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

MARION TOWNSHIP

**GENERAL FUND (PRE GASB 54 RESTATEMENT)
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED JUNE 30, 2013**

	Budget	Actual	Variance Favorable (Unfavorable)
PLANNING COMMISSION			
Salaries		3,178	
Consultant		4,448	
Legal fees		816	
Printing and publications		100	
Total planning commission	11,850	8,542	3,308
ZONING BOARD OF APPEALS			
Salaries		2,183	
Supplies		20	
Training and seminars		199	
Printing and publications		620	
Total zoning board of appeals	4,950	3,022	1,928
DRAINS	11,500	11,159	341
ROADS			
Dust control		59,400	
Maintenance		452,846	
Total roads	535,000	512,246	22,754
RECREATION			
HAPRA contract	64,985	64,485	500
BUILDING IMPROVEMENT			
Capital outlay - equipment	37,000	12,941	24,059
CONTINGENCY			
	10,000		10,000
Total expenditures	\$ 1,471,792	\$ 1,331,178	\$ 140,614

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, 2013**

ASSETS

ASSETS

Cash

\$ 3,325

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable

\$ 1,102

FUND BALANCE

2,223

Total liabilities and fund balance

\$ 3,325

MARION TOWNSHIP

CEMETERY FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Service charges	\$ 1,000	\$ 1,500	\$ 500
EXPENDITURES			
Maintenance	8,800	7,681	1,119
Excess (deficiency) of revenues over (under) expenditures	(7,800)	(6,181)	1,619
OTHER FINANCING SOURCES (USES)			
Transfers in	8,500		(8,500)
Net change in fund balance	700	(6,181)	(6,881)
FUND BALANCE, JULY 1, 2012	8,404	8,404	
FUND BALANCE, JUNE 30, 2013	\$ 9,104	\$ 2,223	\$ (6,881)

RECREATION FUND (PRE GASB 54 RESTATEMENT)

MARION TOWNSHIP

**RECREATION FUND (PRE GASB 54 RESTATEMENT)
BALANCE SHEET
JUNE 30, 2013**

ASSETS

ASSETS

Cash		\$ 86,697
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 532	
Accrued wages	<u>150</u>	

Total liabilities		\$ 682
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FUND BALANCE

	<u>86,015</u>
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Total liabilities and fund balance		<u>\$ 86,697</u>
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This supplementary information shows the Recreation 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

**RECREATION FUND (PRE GASB 54 RESTATEMENT)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES	\$	\$ 251	\$ 251
EXPENDITURES			
Wages		600	
Utilities		124	
Maintenance		5,454	
Total expenditures	17,150	6,178	10,972
Net change in fund balance	(17,150)	(5,927)	11,223
FUND BALANCE, JULY 1, 2012	91,942	91,942	
FUND BALANCE, JUNE 30, 2013	\$ 74,792	\$ 86,015	\$ 11,223

This supplementary information shows the Recreation 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.

HERITAGE DAYS FUND (PRE GASB 54 RESTATEMENT)

MARION TOWNSHIP

**HERITAGE DAYS FUND (PRE GASB 54 RESTATEMENT)
BALANCE SHEET
JUNE 30, 2013**

ASSETS

ASSETS

Cash

\$ 10,163

FUND BALANCE

FUND BALANCE

\$ 10,163

This supplementary information shows the Heritage Days 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

HERITAGE DAYS FUND (PRE GASB 54 RESTATEMENT)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013

REVENUES

Donations	\$ 1,650
Event income	7,404
Miscellaneous income	428

Total revenues 9,482

EXPENDITURES

Advertising	1,414
Entertainment	3,195
Insurance	94
Miscellaneous	2,074

Total expenditures 6,777

Net change in fund balance 2,705

FUND BALANCE, JULY 1, 2012 7,458

FUND BALANCE, JUNE 30, 2013 \$ 10,163

This supplementary information shows the Heritage Days 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.

WATER SYSTEM ASSESSMENT FUND

MARION TOWNSHIP

WATER SYSTEM ASSESSMENT FUND
BALANCE SHEET
JUNE 30, 2013

ASSETS

ASSETS

Cash	\$ 523,553
Special assessments and mortgage receivable, net	712,338
Accrued interest receivable	1,908
Due from other funds	9,966
Note receivable - water new user	<u>1,050,000</u>
Total assets	<u><u>\$ 2,297,765</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred revenue - special assessments and mortgage receivable	\$ 712,338
Deferred revenue - water new user	<u>1,050,000</u>

Total liabilities \$ 1,762,338

FUND BALANCE

535,427

Total liabilities and fund balance **\$ 2,297,765**

MARION TOWNSHIP

**WATER SYSTEM ASSESSMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Special assessments - principal	\$	\$ 161,756	\$
Special assessments - interest		48,788	
Interest income		3,801	
Other		11,514	
	268,598	225,859	(42,739)
EXPENDITURES			
Debt - principal		306,159	
Debt - interest		51,764	
Agent fees		381	
Professional fees		1,600	
	359,923	359,904	19
Net change in fund balance	(91,325)	(134,045)	(42,720)
FUND BALANCE, JULY 1, 2012	669,472	669,472	
FUND BALANCE, JUNE 30, 2013	\$ 578,147	\$ 535,427	\$ (42,720)

ASSESSMENT REVOLVING PROJECT FUND

MARION TOWNSHIP

ASSESSMENT REVOLVING PROJECT FUND
BALANCE SHEET
JUNE 30, 2013

ASSETS

ASSETS

Cash		\$ 113,557
Assessment receivable		<u>51,586</u>
Total assets		<u><u>\$ 165,143</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 19,789	
Deferred revenue	<u>51,586</u>	

Total liabilities \$ 71,375

FUND BALANCE

93,768

Total liabilities and fund balance \$ 165,143

MARION TOWNSHIP

**ASSESSMENT REVOLVING PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 84,279	\$ 93,781	\$ 9,502
EXPENDITURES			
Project costs		83,590	
Professional fees		600	
Total expenditures	63,000	84,190	(21,190)
Change in fund balance	21,279	9,591	(11,688)
FUND BALANCE, JULY 1, 2012	84,177	84,177	
FUND BALANCE, JUNE 30, 2013	\$ 105,456	\$ 93,768	\$ (11,688)

WATER NEW USER FUND

MARION TOWNSHIP

**WATER NEW USER FUND
BALANCE SHEET
JUNE 30, 2013**

ASSETS

ASSETS

Cash		\$ 1,071,181
Special assessments receivable - unbonded, net		<u>345,116</u>
Total assets		<u><u>\$ 1,416,297</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 53
Deferred revenue - unbonded	345,116
Due to other funds	<u>4,000</u>

Total liabilities \$ 349,169

FUND BALANCE

1,067,128

Total liabilities and fund balance **\$ 1,416,297**

MARION TOWNSHIP

WATER NEW USER FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Special assessments	\$	\$ 180,682	\$
Connection fees		13,519	
Other		102	
	151,972	194,303	42,331
EXPENDITURES			
Administration fees		4,000	
Professional fees		1,600	
Project costs		1,000	
Tax chargebacks		6,826	
	1,600	13,426	(11,826)
Excess of revenues over (under) expenditures	150,372	180,877	30,505
OTHER FINANCING SOURCES			
Transfers in		131,924	131,924
	150,372	312,801	162,429
FUND BALANCE, JULY 1, 2012	754,327	754,327	
FUND BALANCE, JUNE 30, 2013	\$ 904,699	\$ 1,067,128	\$ 162,429

PROPRIETARY SEWER FUND

MARION TOWNSHIP

**PROPRIETARY SEWER FUND
STATEMENT OF REVENUES AND EXPENSES FOR OPERATIONS ONLY
FOR THE YEARS ENDED JUNE 30, 2003 - 2013**

	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2010</u>
REVENUE				
User charges -				
Quarterly charges for usage	\$ 220,408	\$ 212,747	\$ 202,607	\$ 173,243
EXPENSES				
Contract labor	47,460	38,040	38,177	45,984
Sewer usage fee	114,199	92,450	87,507	85,001
Utilities	9,896	8,890	9,041	9,263
Telephone	5,075	4,391	3,656	3,420
Administrative fees -				
Reimbursement to general fund	4,000	2,202	2,202	2,485
Billing administrative (Genoa Twp.)	15,560	15,003	14,615	14,272
Professional fees	9,290	16,772	14,067	25,969
Repairs and maintenance	4,872	1,528	6,663	48,366
Miscellaneous	_____	_____	_____	_____
Total expenses	<u>210,352</u>	<u>179,276</u>	<u>175,928</u>	<u>234,760</u>
Net operating income (loss)	<u>\$ 10,056</u>	<u>\$ 33,471</u>	<u>\$ 26,679</u>	<u>\$ (61,517)</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>6/30/2009</u>	<u>6/30/2008</u>	<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>\$ 190,260</u>	<u>\$ 196,837</u>	<u>\$ 155,289</u>	<u>\$ 150,605</u>	<u>\$ 119,196</u>	<u>\$ 82,997</u>	<u>\$ 51,546</u>
51,565	37,908	36,824	38,704	34,872	34,176	29,014
131,523	93,033	76,836	79,656	77,136	76,128	67,525
7,838	7,558	6,813	7,131	5,156	4,715	4,845
3,195	2,978	3,055	2,873	2,781	2,789	2,785
2,557	3,403	4,656	6,281	6,253	8,059	10,947
14,072	13,713	17,551	16,360	11,457	12,134	5,745
30,662	36,037	59,383	25,628	11,532	5,485	1,560
6,721	1,591	1,246	2,676	33,819	14,109	
650	1,513					
<u>248,783</u>	<u>197,734</u>	<u>206,364</u>	<u>179,309</u>	<u>183,006</u>	<u>157,595</u>	<u>122,421</u>
<u>\$ (58,523)</u>	<u>\$ (897)</u>	<u>\$ (51,075)</u>	<u>\$ (28,704)</u>	<u>\$ (63,810)</u>	<u>\$ (74,598)</u>	<u>\$ (70,875)</u>

MARION TOWNSHIP

**PROPRIETARY SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
User charges	\$ 180,000	\$ 220,408	\$ 40,408
Interest income - assessments	313,264	330,106	16,842
Interest income - bank		6,516	6,516
Connection fees	2,500	65,000	62,500
Other		553,119	553,119
Total revenues	<u>495,764</u>	<u>1,175,149</u>	<u>679,385</u>
EXPENSES			
Amortization - bond issuance costs		18,630	(18,630)
Debt-interest expense	294,655	343,617	(48,962)
Maintenance of system (contract labor)	45,000	47,460	(2,460)
Administrative fees - billing admin.	15,500	15,560	(60)
Professional fees	11,000	9,290	1,710
Administrative fees - reimbursement to general fund	8,000	4,000	4,000
Repairs and maintenance	5,000	4,872	128
Utilities	1,000	9,896	(8,896)
Sewer usage	90,000	114,199	(24,199)
Depreciation		664,358	(664,358)
Telephone	5,000	5,075	(75)
Transfers out		131,924	(131,924)
Tax chargebacks		146,508	(146,508)
Total expenses	<u>475,155</u>	<u>1,515,389</u>	<u>(1,040,234)</u>
Net change in net position	20,609	(340,240)	(360,849)
BEGINNING NET POSITION	<u>19,544,243</u>	<u>19,544,243</u>	
ENDING NET POSITION	<u>\$ 19,564,852</u>	<u>\$ 19,204,003</u>	<u>\$ (360,849)</u>

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

ESCROW FUND

MARION TOWNSHIP

**ESCROW FUND
BALANCE SHEET
JUNE 30, 2013**

ASSETS

ASSETS

Cash

\$ 13,570

LIABILITIES

LIABILITIES

Due to others

\$ 13,570

FLEXIBLE MEDICAL SAVINGS FUND

MARION TOWNSHIP

**FLEXIBLE MEDICAL SAVINGS FUND
BALANCE SHEET
JUNE 30, 2013**

ASSETS

ASSETS

Cash	\$	3,228
Due from others		21,349

Total assets

\$ 24,577

LIABILITIES

LIABILITIES

Due to others

\$ 24,577

CURRENT TAX FUND

MARION TOWNSHIP

**CURRENT TAX FUND
BALANCE SHEET
JUNE 30, 2013**

ASSETS

ASSETS

Cash

\$ 100

LIABILITIES

LIABILITIES

Due to others

\$ 100

November 4, 2013

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

Dear Honorable Board of Trustees:

In planning and performing our audit of the financial statements of Marion Township as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Marion Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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

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

1. ESTABLISH CONTROL OVER THE FINANCIAL REPORTING PROCESS

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

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

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

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

RESPONSE BY MANAGEMENT

Management believes the benefit of hiring additional personnel with the qualified experience to draft the financial statements does not outweigh the costs. Management has decided to maintain the current practice of requesting the auditing firm to draft the financial statements.

2. 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

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 MATTER

As discussed in further detail in the following paragraphs we came across a matter which we feel should be reported and discussed with you but, in our view, does not constitute a material weakness or a significant deficiency:

RECONCILE SPECIAL ASSESSMENT RECEIVABLE LEDGER BALANCES

In order to ensure that the special assessment receivable parcel balances are accurate in the subsidiary ledger we recommend that each parcel balance is reconciled between the beginning of year balance and end of year balance with actual cash receipts and authorized adjustments. Instances were identified where parcel balances were reduced in the subsidiary ledger when cash payments were not received.

Historically such practices were not a significant issue since all delinquent assessment installments were sold to the county delinquent tax revolving fund and eventually collected from the property owners through the tax foreclosure process. However, in recent years many local units have decided not to sell certain delinquent balances to county delinquent tax revolving funds because of the increased likelihood the local unit would be responsible to repay such amounts with high interest costs.

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