

MARION TOWNSHIP

Report on Audit of Financial Statements

For the Year Ended June 30, 2014

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 5, 2014

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, 2014, 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, 2014, 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 49 - 52 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 fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis June 30, 2014

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, 2014. 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 \$35,865,947. This is a \$156,603 decrease over last year's net position of \$36,022,550.

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>						
ASSETS						
Current and other assets	\$ 16,609,139	\$ 16,611,709	\$ 8,319,689	\$ 9,784,155	\$ 24,928,828	\$ 26,395,864
Capital assets	1,442,555	1,077,907	15,332,877	15,641,468	16,775,432	16,719,375
Deferred outflows of resources - Deferred charge on refunding of bonds	4,945	8,425			4,945	8,425
Total assets and deferred outflows of resources	<u>18,056,639</u>	<u>17,698,041</u>	<u>23,652,566</u>	<u>25,425,623</u>	<u>41,709,205</u>	<u>43,123,664</u>
 <u>LIABILITIES</u>						
LIABILITIES						
Other liabilities	297,348	71,023	33,596	16,620	330,944	87,643
Bonds/contracts payable	502,314	808,471	5,010,000	6,205,000	5,512,314	7,013,471
Total liabilities	<u>799,662</u>	<u>879,494</u>	<u>5,043,596</u>	<u>6,221,620</u>	<u>5,843,258</u>	<u>7,101,114</u>
 <u>NET POSITION</u>						
NET POSITION						
Invested in capital assets, net of related debt	1,442,555	1,077,907	10,322,877	9,436,468	11,765,432	10,514,375
Unrestricted	13,603,728	12,081,627	332,936	429,885	13,936,664	12,511,512
Restricted	2,210,694	3,659,013	7,953,157	9,337,650	10,163,851	12,996,663
Total net position	<u>\$ 17,256,977</u>	<u>\$ 16,818,547</u>	<u>\$ 18,608,970</u>	<u>\$ 19,204,003</u>	<u>\$ 35,865,947</u>	<u>\$ 36,022,550</u>

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

	Governmental Activities		Business-type Activities		Total	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
REVENUES						
Program revenues:						
Charges for services	\$ 302,557	\$ 284,500	\$ 245,622	\$ 220,408	\$ 548,179	\$ 504,908
Operating contributions	209,733	54,794			209,733	54,794
Capital contributions			86,799	65,000	86,799	65,000
General revenues:						
State shared revenues	749,851	735,366			749,851	735,366
Property taxes	306,167	294,866			306,167	294,866
Interest income						
investments and assessments	127,567	188,835	354,062	336,622	481,629	525,457
Other	65,892	205,467			65,892	205,467
Grants	4,205				4,205	
Gain on sale of capital assets				553,119		553,119
Change in equity of joint ventures	(40,746)	85,669			(40,746)	85,669
Total revenues	<u>1,725,226</u>	<u>1,849,497</u>	<u>686,483</u>	<u>1,175,149</u>	<u>2,411,709</u>	<u>3,024,646</u>
EXPENSES						
General government	851,650	764,704			851,650	764,704
Parks and recreation	127,597	84,116			127,597	84,116
Public works	269,274	649,219			269,274	649,219
Interest on long-term debt	38,275	52,145			38,275	52,145
Sewer system			1,281,516	1,515,389	1,281,516	1,515,389
Total expenses	<u>1,286,796</u>	<u>1,550,184</u>	<u>1,281,516</u>	<u>1,515,389</u>	<u>2,568,312</u>	<u>3,065,573</u>
Change in net position	438,430	299,313	(595,033)	(340,240)	(156,603)	(40,927)
BEGINNING NET POSITION	<u>16,818,547</u>	<u>16,519,234</u>	<u>19,204,003</u>	<u>19,544,243</u>	<u>36,022,550</u>	<u>36,063,477</u>
ENDING NET POSITION	<u>\$ 17,256,977</u>	<u>\$ 16,818,547</u>	<u>\$ 18,608,970</u>	<u>\$ 19,204,003</u>	<u>\$ 35,865,947</u>	<u>\$ 36,022,550</u>

The governmental activity net position increased by \$438,430, mostly due to maintaining or cutting costs of operations.

The business-type activity expenses exceeded revenues by \$595,033 (net loss) for the year ended June 30, 2014. This is primarily due to a lack of connection fees, and depreciation on capital assets.

Financial Analysis of the Township's Funds

The Township had four major funds for the year ended June 30, 2014. 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 \$14,461. Part of the reason for the loss was due to increased contributions to the Howell Area Parks and Recreation Authority.

The Water System Assessment Fund had revenues over expenditures totaling \$57,805. This fund accounts for the assessment and related debt service for the Township's participation in the Marion Howell Oceola Genoa (MHOG) water authority. The remaining fund balance will be reduced annually until the bonds have been paid off.

The Water New User Fund had revenues over expenditures by \$156,134. This fund accounts for the tap-ins and unbonded assessments for the Township's participation in the Marion Howell Oceola Genoa (MHOG) water authority.

The Township's sole business-type fund, the Sewer Fund, had a net loss of \$595,033. 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.

General Fund Budgetary Highlights

The Township adopted its budgets prior to beginning operations for the year ended June 30, 2014. 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 activities acquired \$411,303 in capital assets. The primary acquisitions consisted of costs paid by the Township for the intangible benefits of road improvements. The business-type activities acquired \$356,176 in capital assets, consisting primarily of land purchased through tax foreclosure sales.

The Township issued no new debt during the year.

The Township did pay down governmental activity debt by \$306,517 and proprietary debt by \$1,195,000.

Economic Conditions and Future Activities

Township residential growth is recovering with an increase in new dwelling units in 2013-2014. 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.

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.

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, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
ASSETS			
Cash and investments	\$ 2,462,791	\$ 149,072	\$ 2,611,863
Cash and investments - restricted	1,655,306	4,903,647	6,558,953
Receivables:			
State shared revenues	252,578		252,578
Accounts	1,489	80,138	81,627
Special assessments restricted for capital and debt	835,462	3,049,509	3,884,971
Interest	941	1,583	2,524
Internal balances	3,048	(3,048)	
Prepaid expenses	20,750		20,750
Investment in joint ventures	11,376,774		11,376,774
Capital assets			
Land	322,190	540,384	862,574
Other capital assets, net of depreciation	1,120,365	14,792,493	15,912,858
Total assets	18,051,694	23,513,778	41,565,472
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding of bonds	4,945	138,788	143,733
Total assets and deferred outflows of resources	18,056,639	23,652,566	41,709,205
<u>LIABILITIES</u>			
LIABILITIES			
Accounts payable	257,520	33,596	291,116
Accrued liabilities	39,828		39,828
Noncurrent liabilities:			
Due within one year	301,157	1,210,000	1,511,157
Due beyond one year	201,157	3,800,000	4,001,157
Total liabilities	799,662	5,043,596	5,843,258
<u>NET POSITION</u>			
NET POSITION			
Invested in capital assets, net of related debt	1,442,555	10,322,877	11,765,432
Restricted for:			
Road construction and maintenance	153,247		153,247
Capital projects	1,084,361	2,223,887	3,308,248
Debt service	973,086	5,729,270	6,702,356
Unrestricted	13,603,728	332,936	13,936,664
Total net position	\$ 17,256,977	\$ 18,608,970	\$ 35,865,947

The notes are an integral part of the financial statements.

MARION TOWNSHIP

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

<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	\$ (851,650)	\$ 238,334	\$	\$ 4,205
Parks and recreation/ community development	(127,597)	4,252	1,751	
Public works	(269,274)	59,971	207,982	
Interest on long-term debt	(38,275)			
Total governmental activities	<u>(1,286,796)</u>	<u>302,557</u>	<u>209,733</u>	<u>4,205</u>
BUSINESS-TYPE ACTIVITY				
Sewer system	<u>(1,281,516)</u>	<u>245,622</u>		<u>86,799</u>
Total	<u><u>\$ (2,568,312)</u></u>	<u><u>\$ 548,179</u></u>	<u><u>\$ 209,733</u></u>	<u><u>\$ 91,004</u></u>

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

Total general revenues and transfers

Change in equity of joint ventures

Changes in net position

Net position, July 1, 2013

Net position, June 30, 2014

The notes are an integral part of the financial statements.

Net (Expenses) Revenue and Changes

in Net Position

Governmental Activities	Business-type Activities	Total
\$ (609,111)	\$	\$ (609,111)
(121,594)		(121,594)
(1,321)		(1,321)
(38,275)		(38,275)
<u>(770,301)</u>		<u>(770,301)</u>
	(949,095)	(949,095)
<u>(770,301)</u>	<u>(949,095)</u>	<u>(1,719,396)</u>
306,167		306,167
749,851		749,851
124,508	350,668	475,176
3,059	3,394	6,453
34,951		34,951
30,941		30,941
<u>1,249,477</u>	<u>354,062</u>	<u>1,603,539</u>
<u>(40,746)</u>		<u>(40,746)</u>
438,430	(595,033)	(156,603)
<u>16,818,547</u>	<u>19,204,003</u>	<u>36,022,550</u>
<u>\$ 17,256,977</u>	<u>\$ 18,608,970</u>	<u>\$ 35,865,947</u>

FUND FINANCIAL STATEMENTS

MARION TOWNSHIP

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	Major Funds		
	General Fund	Water System Assessment Fund	Water New User Fund
<u>ASSETS</u>			
ASSETS			
Cash and investments	\$ 2,276,715	\$ 431,460	\$ 1,223,847
Receivables			
Special assessments, net		402,174	268,898
State shared revenues	252,578		
Accrued interest	390	551	
Due from other funds	26,141	138,901	
Prepaid expenditures	20,750		
Total assets	<u>\$ 2,576,574</u>	<u>\$ 973,086</u>	<u>\$ 1,492,745</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ 246,600	\$	\$ 1,383
Accrued wages and pension	33,007		
Due to other funds			142,901
Total liabilities	<u>279,607</u>		<u>144,284</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue		379,854	264,100
FUND BALANCES			
Non-spendable:			
Prepaid expenditures	20,750		
Restricted for:			
Private roads			
Debt service		593,232	
Capital projects			1,084,361
Committed to:			
Cemetery			
Capital improvement	80,644		
Community events	7,925		
Assigned to future budget deficits:	5,000		
Unassigned	2,182,648		
Total fund balances	<u>2,296,967</u>	<u>593,232</u>	<u>1,084,361</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,576,574</u>	<u>\$ 973,086</u>	<u>\$ 1,492,745</u>

The notes are an integral part of the financial statements.

Other Non-major Funds	Total
\$ 186,075	\$ 4,118,097
164,390	835,462
	252,578
	941
	165,042
	20,750
<u>\$ 350,465</u>	<u>\$ 5,392,870</u>
\$ 9,537	\$ 257,520
	33,007
<u>17,604</u>	<u>160,505</u>
<u>27,141</u>	<u>451,032</u>
<u>164,390</u>	<u>808,344</u>
	20,750
153,247	153,247
	593,232
	1,084,361
5,687	5,687
	80,644
	7,925
	5,000
	2,182,648
<u>158,934</u>	<u>4,133,494</u>
<u>\$ 350,465</u>	<u>\$ 5,392,870</u>

MARION TOWNSHIP

**RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

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

Total fund balance per balance sheet		\$ 4,133,494
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Historical cost	\$ 2,089,546	
Depreciation	<u>(646,991)</u>	
Capital assets net of depreciation		1,442,555
Bond issuance costs incurred in procuring bond financing transactions are not financial resources and therefore are not reported in the funds:		
Deferred charge on refunding of bonds		4,945
Equity interests in joint ventures are not financial resources and therefore not reported in the funds		
Equity in joint ventures		11,376,774
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Contracts payable	(252,314)	
Bonds payable	<u>(250,000)</u>	
Total long-term liabilities		(502,314)
Accrued sick and vacation is not included as a liability in the governmental funds		
		(6,821)
Unavailable revenues on special assessments was recognized as revenue in the government-wide statements. Assessments are income as they are assessed.		
Unavailable income	1,858,344	
Interfund SAD receivable	<u>(1,050,000)</u>	
Total		<u>808,344</u>
Net position of governmental activities		<u><u>\$ 17,256,977</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, 2014

	Major Funds		
	General Fund	Water System Assessment Fund	Water New User Fund
REVENUES			
Taxes	\$ 306,167	\$	\$
Special assessments		403,420	157,595
State shared revenues	749,851		
Licenses and permits	123,342		
Connection fees			22,228
Rental income	34,951		
Donations	1,751		
Charges for services	119,244		
Grants	4,205		
Interest	2,642	417	
Miscellaneous	30,940		1
Total revenues	<u>1,373,093</u>	<u>403,837</u>	<u>179,824</u>
EXPENDITURES			
Current:			
General government	822,794		
Parks and recreation/community development	127,817		
Public works	436,943	1,600	23,690
Debt service:			
Principal		306,157	
Interest		38,275	
Total expenditures	<u>1,387,554</u>	<u>346,032</u>	<u>23,690</u>
Excess of revenues over (under) expenditures	<u>(14,461)</u>	<u>57,805</u>	<u>156,134</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers out			(138,901)
Total other financing sources (uses)			<u>(138,901)</u>
Net changes in fund balances	(14,461)	57,805	17,233
FUND BALANCE, JULY 1, 2013	<u>2,311,428</u>	<u>535,427</u>	<u>1,067,128</u>
FUND BALANCE, JUNE 30, 2014	<u>\$ 2,296,967</u>	<u>\$ 593,232</u>	<u>\$ 1,084,361</u>

The notes are an integral part of the financial statements.

Other Non-major Funds	Eliminations	Total
\$	\$	\$ 306,167
95,914		656,929
		749,851
		123,342
		22,228
		34,951
		1,751
14,000		133,244
		4,205
		3,059
		30,941
109,914		2,066,668
		822,794
		127,817
185,872		648,105
		306,157
		38,275
185,872		1,943,148
(75,958)		123,520
138,901	(138,901)	
	138,901	
138,901		
62,943		123,520
95,991		4,009,974
\$ 158,934	\$	\$ 4,133,494

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, 2014**

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

Net change in fund balances - governmental funds		\$ 123,520
<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>		
Capital assets purchased	\$ 411,303	
Depreciation expense	<u>(46,655)</u>	
Net effect of capital assets		364,648
<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		(15,295)
<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	126,157	
Repayment of bonds payable	<u>180,000</u>	
Net effect of debt retirement		306,157
<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	(532,421)	
Assessments levied	<u>231,725</u>	
Net effect of assessments		(300,696)
Accrued sick and vacation is not included as an expenditure in the governmental funds.		842
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.		<u>(40,746)</u>
Change in net position of governmental activities		<u><u>\$ 438,430</u></u>

The notes are an integral part of the financial statements.

MARION TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY - SEWER FUND
JUNE 30, 2014

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash and cash equivalents	\$ 149,072	
Accounts receivable - usage	80,138	
Due from other funds	1,489	

Total current assets \$ 230,699

CURRENT ASSETS (RESTRICTED)

Cash and cash equivalents - debt service & future improvements	2,706,760	
Cash and cash equivalents - phase II plant	2,196,887	
Accrued interest	1,583	

Total current assets (restricted) 4,905,230

PROPERTY, PLANT AND EQUIPMENT

Sewer collection system	14,060,318	
Sewer plant	9,795,116	
Computers, equipment, software	134,102	
Land	540,384	
	24,529,920	
Less: accumulated depreciation	(9,197,043)	

Net property, plant and equipment 15,332,877

RESTRICTED ASSETS

Special assessments receivable - bonded	3,022,509	
Special assessments receivable - unbonded	27,000	

Total restricted assets 3,049,509

Total assets 23,518,315

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding of bonds		<u>138,788</u>
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Total assets and deferred outflows of resources \$ 23,657,103

The notes are an integral part of the financial statements.

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 33,596
Due to other funds	4,537
Bond payable - refunding series 2007 (from restricted assets)	<u>1,210,000</u>

Total current liabilities \$ 1,248,133

LONG-TERM LIABILITIES

Bond payable - refunding series 2007 (from restricted assets)	<u>3,800,000</u>
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Total liabilities 5,048,133

NET POSITION

Invested in capital assets net of related debt	10,322,877
Reserved for:	
Capital projects	2,223,887
Debt service	5,729,270
Unreserved	<u>332,936</u>

Total net position 18,608,970

Total liabilities and net position \$ 23,657,103

MARION TOWNSHIP

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY - SEWER FUND
 FOR THE YEAR ENDED JUNE 30, 2014**

OPERATING REVENUES

User charges		\$ 245,622
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OPERATING EXPENSES

Contract labor	\$ 39,527	
Sewer usage fee	137,972	
Depreciation expense	664,768	
Utilities	10,237	
Telephone	5,988	
Administrative fees - reimbursement to general fund	4,000	
Professional fees	17,218	
Administrative fees - billing administration Genoa Township	16,915	
Repairs and maintenance	<u>13,840</u>	

Total operating expenses		<u>910,465</u>
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Operating (loss)		(664,843)
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NON-OPERATING REVENUES AND (EXPENSES)

Interest income - assessments	350,668	
Interest income - cash and investments	3,394	
Interest expense - debt	(299,611)	
Amortization - bond issuance costs	<u>(71,440)</u>	

Total non-operating net revenues		(16,989)
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CAPITAL CONTRIBUTIONS

Connection fees - new users		<u>86,799</u>
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Change in net position		(595,033)
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NET POSITION, JULY 1, 2013		<u>19,204,003</u>
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NET POSITION, JUNE 30, 2014		<u><u>\$ 18,608,970</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, 2014**

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	
Cash receipts from:	
Customer usage	\$ 243,912
Cash disbursements to:	
Operating vendors	<u>(228,722)</u>
Net cash from operating activities	15,190
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	
Special assessment collections - principal and interest	\$ 1,297,279
Connection fees received	86,799
Repayment of bond payable - principal and interest	(1,445,649)
Short term advance and repayment to other fund	(10,918)
Purchase of capital assets	<u>(356,176)</u>
Net cash flows from (used in) capital and related financing activities	(428,665)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income - cash and investments	<u>5,262</u>
(Decrease) in cash and cash equivalents	(408,213)
BALANCE, JULY 1, 2013	<u>5,460,932</u>
BALANCE, JUNE 30, 2014	<u><u>\$ 5,052,719</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM (USED IN) OPERATING ACTIVITIES	
Operating income (loss)	\$ (664,843)
Adjustments to reconcile operating income (loss) to net cash from (used in) operating activities:	
Depreciation expense	664,767
Change in assets and liabilities:	
Receivables, net	(1,710)
Accounts and other payables	<u>16,976</u>
Net cash from operating activities	<u><u>\$ 15,190</u></u>

The notes are an integral part of the financial statements.

MARION TOWNSHIP

STATEMENT OF ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 JUNE 30, 2014

	<u>Agency Funds</u>		
	<u>Escrow Fund</u>	<u>Flexible Medical Savings Fund</u>	<u>Total</u>
<u>ASSETS</u>			
ASSETS			
Cash	\$ 23,369	\$ 39,541	\$ 62,910
Due from others		20,995	20,995
Total assets	<u>\$ 23,369</u>	<u>\$ 60,536</u>	<u>\$ 83,905</u>
<u>LIABILITIES</u>			
LIABILITIES			
Due to others	\$ 21,880	\$ 60,536	\$ 82,416
Due to other funds	1,489		1,489
Total liabilities	<u>\$ 23,369</u>	<u>\$ 60,536</u>	<u>\$ 83,905</u>

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, 2014

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, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

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

Also, part of the basic financial statements are 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, 2014**

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, 2014**

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, 2014**

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 2013 - 2014 fiscal year budget for each governmental fund was adopted by the Township Board in June of 2013. 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, 2014**

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 \$372,623,371. For the year ended June 30, 2014, the Township recognized the property taxes levied December 1, 2013 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, 2014**

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 8, 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, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

M. DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The government has only one item that qualifies for reporting in this category, which is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the debt that was refunded or the new debt (if any) that was issued to finance the refunding transaction.

N. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one item that qualifies for reporting in this category, which is the unavailable revenue reported in the governmental funds balance sheets. Unavailable revenue is revenue that is legally due the government but which will not be collected within 60 days after year-end and therefore does not meet the availability criteria for revenue recognition.

MARION TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, deposits in banks totaled \$7,063,192 which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 2,398,691
Uninsured and collateralized by securities held by pledging financial institutions	4,477,437
Uninsured and Uncollateralized	<u>187,064</u>
Total deposits in banks	<u><u>\$ 7,063,192</u></u>

The Township's investment policy does not address this risk.

- Investments - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments, collateral or securities that are in the possession of an outside party.

As of June 30, 2014, the Township's investments were exposed to custodial credit risk as follows:

Insured by SIPC	\$ 500,000
Uninsured US Treasury investments	<u>1,696,887</u>
	<u><u>\$ 2,196,887</u></u>

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 2 - DEPOSITS AND INVESTMENTS - continued

Credit Risk

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

As of June 30, 2014 the Township's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>	<u>Amount</u>
US Treasury MM Fund	Unrated	\$ 2,196,887

The Township's investment policy addresses credit risk and investments held at June 30, 2014, comply with the policy and statutory authority.

As of June 30, 2014 cash and cash equivalents consist of the following:

Cash and cash equivalents	
Deposits with financial institutions	\$ 7,063,192
Money market fund	2,196,887
Cash on hand	400
Total cash and cash equivalents	\$ 9,260,479

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

Statement of Net Position	
Cash and cash equivalents	\$ 2,611,863
Cash and cash equivalents - restricted	6,558,953
Total	9,170,816
Fiduciary Funds	
Cash and cash equivalents	62,910
Total cash and cash equivalents	\$ 9,233,726

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, 2014**

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, 2014 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>June 30, 2014 Balance</u>	<u>Description</u>
General Fund	Water-New User Fund	\$ 4,000	Allocated wages
General Fund	Sewer Fund	4,537	Allocated wages and reimbursement
General Fund	Assessment Revolving Project Fund	16,180	Reimbursement
General Fund	Cemetery Fund	1,424	Reimbursement
Water System Assessment	Water-New User Fund	138,901	Reimbursement
Sewer Fund	Escrow Fund	1,489	Reimbursement
		<u>\$ 166,531</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 \$138,901 transferred from the Water New User Fund to the Assessment Revolving Project fund to provide funds for the completion of road projects.

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 4 - CAPITAL ASSETS

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

	Audited Balance 7/1/2013	Additions	Deletions	Audited Balance 6/30/2014
<u>Governmental Activities</u>				
Capital assets not being depreciated				
Land	\$ 281,119	\$	\$	\$ 281,119
CIP - Intangible infrastructure costs	<u> </u>	41,071	<u> </u>	<u>41,071</u>
Total capital assets not being depreciated	<u>281,119</u>	<u>41,071</u>	<u> </u>	<u>322,190</u>
Capital assets being depreciated:				
Buildings	1,204,795			1,204,795
Equipment	96,164			96,164
Park improvements	96,165	7,302		103,467
Intangible infrastructure costs	<u> </u>	362,930	<u> </u>	<u>362,930</u>
Subtotal	<u>1,397,124</u>	<u>370,232</u>	<u> </u>	<u>1,767,356</u>
Accumulated depreciation:				
Buildings	(494,890)	(25,575)		(520,465)
Equipment	(71,678)	(4,123)		(75,801)
Park improvements	(33,768)	(7,082)		(40,850)
Intangible infrastructure costs	<u> </u>	(9,875)	<u> </u>	<u>(9,875)</u>
Subtotal	<u>(600,336)</u>	<u>(46,655)</u>	<u> </u>	<u>(646,991)</u>
Net capital assets being depreciated	<u>796,788</u>	<u>323,577</u>	<u> </u>	<u>1,120,365</u>
Net capital assets	<u><u>\$ 1,077,907</u></u>	<u><u>\$ 364,648</u></u>	<u><u>\$</u></u>	<u><u>\$ 1,442,555</u></u>

There is no debt related to these assets.

MARION TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 4 - CAPITAL ASSETS – continued

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

	Audited Balance 7/1/2013	Additions	Deletions	Audited Balance 6/30/2014
<u>Business-type Activities</u>				
Capital assets not being depreciated				
Land	\$ 197,918	\$ 69,822	\$	\$ 267,740
Land acquisition costs		272,644		272,644
	<u>197,918</u>	<u>342,466</u>		<u>540,384</u>
Total capital assets not being depreciated				
	<u>197,918</u>	<u>342,466</u>		<u>540,384</u>
Capital assets being depreciated:				
Sewer plant	9,795,116			9,795,116
Collection system	14,046,608	13,710		14,060,318
Equipment	134,102			134,102
	<u>23,975,826</u>	<u>13,710</u>		<u>23,989,536</u>
Subtotal				
	<u>23,975,826</u>	<u>13,710</u>		<u>23,989,536</u>
Accumulated depreciation:				
Sewer plant	(3,424,145)	(267,756)		(3,691,901)
Collection system	(4,974,030)	(397,011)		(5,371,041)
Equipment	(134,101)			(134,101)
	<u>(8,532,276)</u>	<u>(664,767)</u>		<u>(9,197,043)</u>
Subtotal				
	<u>(8,532,276)</u>	<u>(664,767)</u>		<u>(9,197,043)</u>
Net capital assets being depreciated				
	<u>15,443,550</u>	<u>(651,057)</u>		<u>14,792,493</u>
Net capital assets				
	<u>\$ 15,641,468</u>	<u>\$ (308,591)</u>	<u>\$</u>	<u>15,332,877</u>
Less: Related long-term debt outstanding as of June 30, 2014				<u>(5,010,000)</u>
Net assets invested in business-type capital assets net of related debt				<u>\$ 10,322,877</u>

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

Governmental activities:

General government	\$ 29,698
Parks and recreation	7,082
Roads and infrastructure	9,875
	<u>46,655</u>

Business-type activities:

Sewer disposal	<u>664,767</u>
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Total government-wide depreciation	<u>\$ 711,422</u>
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MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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%	\$ 145,370
Livingston County Joint Water System Series E	\$ 743,750	\$ 22,222 — \$ 53,472	6/1/2016	5.20 — 5.375%	<u>106,944</u>
Total contracts payable outstanding					<u><u>\$ 252,314</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>
2015	\$ 126,157	\$ 13,922
2016	<u>126,157</u>	<u>6,960</u>
	<u><u>\$ 252,314</u></u>	<u><u>\$ 20,882</u></u>

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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%	\$ 250,000
Business-type activities:					
2005 Sanitary Sewer refunding bonds	\$ 13,525,000	\$ 115,000 — \$ 1,210,000	6/1/2019	3.5 — 4.2%	<u>5,010,000</u>
Total general obligation bonds					<u><u>\$ 5,260,000</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>
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>\$ 250,000</u>	<u>\$ 13,000</u>	<u>\$ 5,010,000</u>	<u>\$ 545,042</u>

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014:

	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2014</u>	<u>Due Within One Year</u>
Governmental activities:					
Contracts payable	\$ 378,471	\$	\$ (126,157)	\$ 252,314	\$ 126,157
General obligation bonds	<u>430,000</u>		<u>(180,000)</u>	<u>250,000</u>	<u>175,000</u>
Governmental activity long-term liabilities	808,471		(306,157)	502,314	301,157
Business-type activities:					
General obligation bonds	<u>6,205,000</u>		<u>(1,195,000)</u>	<u>5,010,000</u>	<u>1,210,000</u>
Total long-term liabilities	<u>\$ 7,013,471</u>	<u>\$</u>	<u>\$ (1,501,157)</u>	<u>\$ 5,512,314</u>	<u>\$ 1,511,157</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, 2014 was \$350,130.

TOTAL CURRENT YEAR EMPLOYER CONTRIBUTIONS

\$ 7,003

In addition, the Township sponsors 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, 2014**

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>7/1/2013</u>	<u>6/30/2014</u>
Current assets		
Cash and cash equivalents	\$ 5,460,932	\$ 5,052,719

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	\$ 551,744	\$ 424,186	\$ 4,644,325	\$ 5,620,255
Less: allowance for uncollectable assessments	(149,570)	(155,288)	(1,594,816)	(1,899,674)
Net special assessments receivable	\$ 402,174	\$ 268,898	\$ 3,049,509	\$ 3,720,581

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014 consisted of the following:

	Water Assessment Fund	Water New User Fund	Sewer Fund	Total
Cash and cash equivalents	\$ 431,460	\$ 1,223,847	\$ 4,903,647	\$ 6,558,954
Special assessment receivables	402,174	268,898	3,049,509	3,720,581
Total	\$ 833,634	\$ 1,492,745	\$ 7,953,156	\$ 10,279,535

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, 2014 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 \$10,703,949 as of June 30, 2014. 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, 2013 (the date financial information was last available) were as follows:

Total assets	\$ 46,953,106
Total liabilities	\$ 4,137,312
Total net position	\$ 42,815,794
Total revenue	\$ 2,315,275
Total expenses	\$ 3,360,311

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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 \$672,825 as of June 30, 2014. 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, 2014 was as follows:

Total assets	\$ 3,757,800
Total liabilities	\$ 393,675
Total net assets	\$ 3,364,125
Total revenue	\$ 2,289,594
Total expenditures	\$ 1,775,123

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, 2014 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, 2014**

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, 2014 was as follows:

Total assets	\$	214,851
Total liabilities	\$	229,434
Total net position (deficit)	\$	(14,583)
Total revenue	\$	1,201,232
Total expenditures	\$	1,249,563

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, 2014

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 275,000	\$ 295,000	\$ 306,167	\$ 11,167
Licenses and permits	109,380	107,380	123,342	15,962
State shared revenues	700,000	735,000	749,851	14,851
Charges for services	105,000	112,000	114,992	2,992
Other revenues	49,301	57,301	78,741	21,440
Total revenues	1,238,681	1,306,681	1,373,093	66,412
EXPENDITURES	1,388,597	1,274,859	1,387,554	(112,695)
Excess of revenues over (under) expenditures	(149,916)	31,822	(14,461)	(46,283)
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	10,000		(10,000)
Transfers out	(38,000)	(38,100)		38,100
Total other financing sources (uses)	(28,000)	(28,100)		28,100
Net change in fund balance	(177,916)	3,722	(14,461)	(18,183)
FUND BALANCE, JULY 1, 2013	2,311,428	2,311,428	2,311,428	
FUND BALANCE, JUNE 30, 2014	\$ 2,133,512	\$ 2,315,150	\$ 2,296,967	\$ (18,183)

MARION TOWNSHIP

WATER SYSTEM ASSESSMENT FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Special assessments - principal	\$ 100,000	\$ 100,000	\$ 331,554	\$ 231,554
Special assessments - interest	25,000	25,000	71,866	46,866
Interest income			417	417
Total revenues	<u>125,000</u>	<u>125,000</u>	<u>403,837</u>	<u>278,837</u>
EXPENDITURES				
Debt - principal	306,157	306,157	306,157	
Debt - interest	37,844	37,844	37,844	
Agent fees	400	400	431	31
Other	1,600	1,600	1,600	
Total expenditures	<u>346,001</u>	<u>346,001</u>	<u>346,032</u>	<u>(31)</u>
Excess of revenues over (under) expenditures	(221,001)	(221,001)	57,805	278,806
OTHER FINANCING SOURCES (USES)				
Transfers out		(138,901)		138,901
Net change in fund balance	(221,001)	(359,902)	57,805	417,707
FUND BALANCE, JULY 1, 2013	<u>535,427</u>	<u>535,427</u>	<u>535,427</u>	
FUND BALANCE, JUNE 30, 2014	<u>\$ 314,426</u>	<u>\$ 175,525</u>	<u>\$ 593,232</u>	<u>\$ 417,707</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

MARION TOWNSHIP

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014. 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, 2014 expenditures exceeded appropriations in both the General Fund and Water System Assessment Fund.

SUPPLEMENTAL INFORMATION

COMBINING FINANCIAL STATEMENTS

MARION TOWNSHIP

ALL FUNDS INCLUDED IN GASB 54 GENERAL FUND CONSOLIDATION
 COMBINING BALANCE SHEET
 JUNE 30, 2014

	<u>General Fund Pre - GASB 54 Consolidation</u>	<u>Recreation Fund</u>	<u>Heritage Days Fund</u>	<u>Eliminations</u>	<u>Totals Restated General Fund</u>
ASSETS					
Cash and investments	\$ 2,186,125	\$ 82,450	\$ 8,140	\$	\$ 2,276,715
Interest receivable	390				390
State shared revenue receivable	252,578				252,578
Due from other funds	27,535			(1,394)	26,141
Prepaid expenses	20,750				20,750
Total assets	<u>\$ 2,487,378</u>	<u>\$ 82,450</u>	<u>\$ 8,140</u>	<u>\$ (1,394)</u>	<u>\$ 2,576,574</u>
Liabilities					
Accounts payable	\$ 246,068	\$ 532	\$	\$	\$ 246,600
Accrued wages and pension payable	32,912	95			33,007
Due to other funds		1179	215	1,394	
Total liabilities	<u>278,980</u>	<u>1,806</u>	<u>215</u>	<u>1,394</u>	<u>279,607</u>
Fund Balances					
Nonspendable for:					
Prepaid expenses	20,750				20,750
Committed to:					
Capital improvement		80,644			80,644
Community events			7,925		7,925
Unassigned	2,187,648				2,187,648
Total fund balance	<u>2,208,398</u>	<u>80,644</u>	<u>7,925</u>		<u>2,296,967</u>
Total liabilities and fund balance	<u>\$ 2,487,378</u>	<u>\$ 82,450</u>	<u>\$ 8,140</u>	<u>\$</u>	<u>\$ 2,576,574</u>

MARION TOWNSHIP

ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	<u>Cemetery Fund</u>	<u>Water System Assessment Fund</u>	<u>Assessment Revolving Project Fund</u>	<u>Totals</u>
<u>ASSETS</u>				
ASSETS				
Cash	\$ 8,213	\$ 431,460	\$ 177,862	\$ 617,535
Special assessments receivable, net		402,174	164,390	566,564
Accrued interest receivable		551		551
Due from other funds		138,901		138,901
Total assets	<u>\$ 8,213</u>	<u>\$ 973,086</u>	<u>\$ 342,252</u>	<u>\$ 1,323,551</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$ 1,102	\$	\$ 8,435	\$ 9,537
Due to other funds	1,424		16,180	17,604
Total liabilities	2,526		24,615	27,141
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue		379,854	164,390	544,244
FUND BALANCE	<u>5,687</u>	<u>593,232</u>	<u>153,247</u>	<u>752,166</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 8,213</u>	<u>\$ 973,086</u>	<u>\$ 342,252</u>	<u>\$ 1,323,551</u>

MARION TOWNSHIP

ALL NON-MAJOR FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	<u>Cemetery Fund</u>	<u>Assessment Revolving Project Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
ASSETS			
Cash	\$ 8,213	\$ 177,862	\$ 186,075
Special assessments receivable, net		164,390	164,390
Total assets	<u>\$ 8,213</u>	<u>\$ 342,252</u>	<u>\$ 350,465</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	\$ 1,102	\$ 8,435	\$ 9,537
Due to other funds	1,424	16,180	17,604
Total liabilities	2,526	24,615	27,141
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue		164,390	164,390
FUND BALANCE	<u>5,687</u>	<u>153,247</u>	<u>158,934</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 8,213</u>	<u>\$ 342,252</u>	<u>\$ 350,465</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, 2014

	General Fund - Pre GASB 54 Consolidation	Recreation Fund	Heritage Days Fund	Eliminations	Totals Restated General Fund
REVENUES					
Taxes	\$ 306,167	\$	\$	\$	\$ 306,167
Licenses and permits	123,342				123,342
State shared revenues	749,851				749,851
Charges for services	114,992				114,992
Interest	2,642				2,642
Cell tower lease	33,551				33,551
Community event income			4,252		4,252
Grants		4,205			4,205
Donation		1	1,750		1,751
Other	32,340				32,340
Total revenues	1,362,885	4,206	6,002		1,373,093
EXPENDITURES					
Current:					
Township board	38,478				38,478
Supervisor	36,076				36,076
Public works	2,232				2,232
Election	4,511				4,511
Professional fees	55,780				55,780
Assessor	82,211				82,211
Legal	5,545				5,545
Clerk	61,347				61,347
Board of review	2,725				2,725
Treasurer	69,204				69,204
Unallocated	372,870				372,870
Zoning	45,665				45,665
Cemetery	6,000				6,000
Planning commission	15,641				15,641
Zoning board of appeals	2,716				2,716
Drains	15,083				15,083
Roads	413,628				413,628
Recreation	100,000	19,577			119,577
Community event expenditures				8,240	8,240
Building improvement	30,025				30,025
Total expenditures	1,359,737	19,577	8,240		1,387,554
Excess of revenues over (under) expenditures	3,148	(15,371)	(2,238)		(14,461)

MARION TOWNSHIP

**ALL FUNDS INCLUDED IN GASB 54 GENERAL FUND CONSOLIDATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - continued
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund - Pre GASB 54 Consolidation	Recreation Fund	Heritage Days Fund	Eliminations	Totals Restated General Fund
OTHER FINANCING SOURCES (USES)					
Transfers in		10,000		(10,000)	
Transfers out	(10,000)			10,000	
Total other financing sources (uses)	(10,000)	10,000			
Net changes in fund balances	(6,852)	(5,371)	(2,238)		(14,461)
FUND BALANCE, JULY 1, 2013	2,215,250	86,015	10,163		2,311,428
FUND BALANCE, JUNE 30, 2014	<u>\$ 2,208,398</u>	<u>\$ 80,644</u>	<u>\$ 7,925</u>	<u>\$</u>	<u>\$ 2,296,967</u>

MARION TOWNSHIP

**ALL SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Cemetery Fund</u>	<u>Water System Assessment Fund</u>	<u>Assessment Revolving Project Fund</u>	<u>Totals</u>
REVENUES				
Special assessments	\$	\$ 403,420	\$ 95,914	\$ 499,334
Service charges	14,000			14,000
Interest income		417		417
Total revenues	<u>14,000</u>	<u>403,837</u>	<u>95,914</u>	<u>513,751</u>
EXPENDITURES				
Construction and maintenance	10,536		174,736	185,272
Debt service		344,001		344,001
Agent fees		431		431
Other		1,600	600	2,200
Total expenditures	<u>10,536</u>	<u>346,032</u>	<u>175,336</u>	<u>531,904</u>
Excess of revenues over (under) expenditures	3,464	57,805	(79,422)	(18,153)
OTHER FINANCING SOURCES (USES)				
Transfers in			138,901	138,901
Net change in fund balances	3,464	57,805	59,479	120,748
FUND BALANCE, JULY 1, 2013	<u>2,223</u>	<u>535,427</u>	<u>93,768</u>	<u>631,418</u>
FUND BALANCE, JUNE 30, 2014	<u>\$ 5,687</u>	<u>\$ 593,232</u>	<u>\$ 153,247</u>	<u>\$ 752,166</u>

MARION TOWNSHIP

ALL NON-MAJOR FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Cemetery Fund</u>	<u>Assessment Revolving Project Fund</u>	<u>Totals</u>
REVENUES			
Special assessments	\$	\$ 95,914	\$ 95,914
Service charges	14,000		14,000
Total revenues	<u>14,000</u>	<u>95,914</u>	<u>109,914</u>
EXPENDITURES			
Construction and maintenance	10,536	174,736	185,272
Other		600	600
Total expenditures	<u>10,536</u>	<u>175,336</u>	<u>185,872</u>
Excess of revenues over (under) expenditures	3,464	(79,422)	(75,958)
OTHER FINANCING SOURCES (USES)			
Transfers in		138,901	138,901
Net change in fund balances	3,464	59,479	62,943
FUND BALANCE, JULY 1, 2013	<u>2,223</u>	<u>93,768</u>	<u>95,991</u>
FUND BALANCE, JUNE 30, 2014	<u>\$ 5,687</u>	<u>\$ 153,247</u>	<u>\$ 158,934</u>

INDIVIDUAL FUNDS

GENERAL FUND (PRE GASB 54 RESTATEMENT)

MARION TOWNSHIP

GENERAL FUND (PRE GASB 54 RESTATEMENT)
BALANCE SHEET
JUNE 30, 2014

ASSETS

ASSETS

Cash	\$ 2,186,125
Accounts receivable - state	252,578
Accrued interest receivable	390
Due from other funds	27,535
Prepaid expenses	<u>20,750</u>
Total assets	<u>\$ 2,487,378</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 246,068
Accrued wages and salaries	32,323
Accrued pension	<u>589</u>
Total liabilities	\$ 278,980
FUND BALANCE	<u>2,208,398</u>
Total liabilities and fund balance	<u>\$ 2,487,378</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 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 295,000	\$ 306,167	\$ 11,167
Licenses and permits	107,380	123,342	15,962
State shared revenues	735,000	749,851	14,851
Charges for services	112,000	114,992	2,992
Other revenues	57,301	68,533	11,232
Total revenues	1,306,681	1,362,885	56,204
EXPENDITURES	1,257,709	1,359,737	(102,028)
Net revenues over (under) expenditures	48,972	3,148	(45,824)
OTHER FINANCING SOURCES (USES)			
Transfers out	(38,100)	(10,000)	28,100
Net change in fund balance	10,872	(6,852)	(17,724)
FUND BALANCE, JULY 1, 2013	2,215,250	2,215,250	
FUND BALANCE, JUNE 30, 2014	\$ 2,226,122	\$ 2,208,398	\$ (17,724)

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, 2014**

	Budget	Actual	Variance Favorable (Unfavorable)
PROPERTY TAXES	\$ 295,000	\$ 306,167	\$ 11,167
LICENSES AND PERMITS			
Licenses, fees, permits	7,380	12,445	5,065
Cable franchise fees	100,000	110,897	10,897
Total licenses and permits	107,380	123,342	15,962
STATE SHARED REVENUES	735,000	749,851	14,851
CHARGES FOR SERVICES			
Elections	3,000	3,228	228
Tax collection administration	109,000	111,764	2,764
Total charges for services	112,000	114,992	2,992
OTHER REVENUES			
Printing and publications		25	25
Interest income	1,000	2,642	1,642
Video franchise fees	14,000	16,874	2,874
Cell tower lease	30,300	33,551	3,251
Rental income	1,001	1,400	399
Miscellaneous	3,000	5,246	2,246
Metro act	8,000	8,795	795
Total other revenues	57,301	68,533	11,232
Total revenues	\$ 1,306,681	\$ 1,362,885	\$ 56,204

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, 2014**

	Budget	Actual	Variance Favorable (Unfavorable)
TOWNSHIP BOARD			
Salaries	\$ 32,164	\$ 31,514	\$ 650
Meetings and seminars	500	291	209
Mileage	250		250
Printing and publications	2,500	1,305	1,195
Membership dues	5,800	5,322	478
Miscellaneous	250	46	204
Total township board	41,464	38,478	2,986
SUPERVISOR			
Salary	35,126	35,124	2
Meetings and seminars	1,000	952	48
Miscellaneous	600		600
Total supervisor	36,726	36,076	650
PUBLIC WORKS	5,150	2,232	2,918
ELECTIONS			
Workers	2,000	1,659	341
Supplies	1,500	815	685
Equipment	800	764	36
Printing and publications	220		220
Postage	500	930	(430)
Mileage	200	7	193
Miscellaneous	800	336	464
Total elections	6,020	4,511	1,509
PROFESSIONAL FEES			
Financial services	9,500	7,750	1,750
Software support	12,000	10,396	1,604
Economic development	9,000	8,000	1,000
Engineering	1,000	29,634	(28,634)
Legal	2,500		2,500
Total professional fees	34,000	55,780	(21,780)

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ASSESSOR			
Salaries	80,000	76,486	3,514
Professional fees	1,750		1,750
Dues and memberships	850	954	(104)
Training and seminars	1,200	757	443
Supplies	850	850	
Mileage	600	459	141
Miscellaneous	1,800	516	1,284
Postage	3,000	2,189	811
Total assessor	<u>90,050</u>	<u>82,211</u>	<u>7,839</u>
LEGAL	<u>9,050</u>	<u>5,545</u>	<u>3,505</u>
CLERK			
Salaries	61,126	58,143	2,983
Mileage	500	579	(79)
Training, seminars and dues	2,200	1,964	236
Supplies	500	409	91
Miscellaneous	600	252	348
Total clerk	<u>64,926</u>	<u>61,347</u>	<u>3,579</u>
BOARD OF REVIEW			
Salaries	2,500	1,769	731
Supplies and publications	1,500	806	694
Training and seminars	500	150	350
Total board of review	<u>4,500</u>	<u>2,725</u>	<u>1,775</u>
TREASURER			
Salaries	69,126	67,382	1,744
Supplies	250	359	(109)
Mileage	1,250	989	261
Miscellaneous	570	474	96
Training	500		500
Total treasurer	<u>71,696</u>	<u>69,204</u>	<u>2,492</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, 2014**

	Budget	Actual	Variance Favorable (Unfavorable)
UNALLOCATED			
Salaries - secretary	26,177	23,945	2,232
Custodial	3,000	2,436	564
Payroll taxes	29,500	25,606	3,894
Advance to flexible medical savings fund	52,500	49,250	3,250
Insurance - health	183,000	171,020	11,980
Insurance - general	35,000	33,802	1,198
Pension	7,500	7,003	497
Pension - administration	5,500	5,447	53
Trash removal	10,750	4,469	6,281
Supplies	5,000	3,800	1,200
Equipment - maintenance	5,000	4,414	586
Postage	5,000	3,209	1,791
Grounds maintenance	12,000	10,055	1,945
Buildings maintenance	4,500	2,379	2,121
Telephone	7,500	6,058	1,442
Utilities	10,000	8,605	1,395
Internet		1,178	(1,178)
Tax roll preparation	7,000	6,728	272
Payroll processing	3,500	2,677	823
Miscellaneous	1,000	789	211
	413,427	372,870	40,557
ZONING ADMINISTRATOR			
Salary	45,600	43,485	2,115
Miscellaneous	550	334	216
Mileage	900	641	259
Supplies	250	195	55
Legal fees	250		250
Professional fees	500		500
Training	1,200	1,010	190
	49,250	45,665	3,585
CEMETERY			
Salaries	6,000	6,000	

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, 2014**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
PLANNING COMMISSION			
Salaries	5,750	5,320	430
Consultant	7,500	6,315	1,185
Legal fees	2,500	450	2,050
Miscellaneous	350	443	(93)
Printing and publications	2,000	2,499	(499)
Training and seminars	750	614	136
	<u>18,850</u>	<u>15,641</u>	<u>3,209</u>
ZONING BOARD OF APPEALS			
Salaries	2,550	1,325	1,225
Supplies	50	20	30
Training and seminars	500	446	54
Legal fees	500	119	381
Miscellaneous	100	11	89
Professional fees	500		500
Printing and publications	1,000	795	205
	<u>5,200</u>	<u>2,716</u>	<u>2,484</u>
DRAINS	<u>15,500</u>	<u>15,083</u>	<u>417</u>
ROADS			
Dust control	42,000	38,751	3,249
Maintenance - improvements	190,000	374,877	(184,877)
	<u>232,000</u>	<u>413,628</u>	<u>(181,628)</u>
RECREATION			
HAPRA contract	100,900	100,000	900
BUILDING IMPROVEMENT			
Capital outlay - equipment	43,000	30,025	12,975
CONTINGENCY	<u>10,000</u>		<u>10,000</u>
Total expenditures	<u>\$ 1,257,709</u>	<u>\$ 1,359,737</u>	<u>\$ (102,028)</u>

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

PROPRIETARY SEWER FUND

MARION TOWNSHIP

**PROPRIETARY SEWER FUND
STATEMENT OF REVENUES AND EXPENSES FOR OPERATIONS ONLY
FOR THE YEARS ENDED JUNE 30, 2004 - 2014**

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2011</u>
REVENUE				
User charges -				
Quarterly charges for usage	\$ 239,446	\$ 220,408	\$ 212,747	\$ 202,607
EXPENSES				
Contract labor	39,527	47,460	38,040	38,177
Sewer usage fee	137,972	114,199	92,450	87,507
Utilities	10,237	9,896	8,890	9,041
Telephone	5,988	5,075	4,391	3,656
Administrative fees -				
Reimbursement to general fund	4,000	4,000	2,202	2,202
Billing administrative (Genoa Twp.)	16,915	15,560	15,003	14,615
Professional fees	17,218	9,290	16,772	14,067
Repairs and maintenance	13,840	4,872	1,528	6,663
Miscellaneous	_____	_____	_____	_____
Total expenses	<u>245,697</u>	<u>210,352</u>	<u>179,276</u>	<u>175,928</u>
Net operating income (loss)	<u>\$ (6,251)</u>	<u>\$ 10,056</u>	<u>\$ 33,471</u>	<u>\$ 26,679</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>6/30/2010</u>	<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>\$ 173,243</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>
45,984	51,565	37,908	36,824	38,704	34,872	34,176
85,001	131,523	93,033	76,836	79,656	77,136	76,128
9,263	7,838	7,558	6,813	7,131	5,156	4,715
3,420	3,195	2,978	3,055	2,873	2,781	2,789
2,485	2,557	3,403	4,656	6,281	6,253	8,059
14,272	14,072	13,713	17,551	16,360	11,457	12,134
25,969	30,662	36,037	59,383	25,628	11,532	5,485
48,366	6,721	1,591	1,246	2,676	33,819	14,109
	650	1,513				
<u>234,760</u>	<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>\$ (61,517)</u>	<u>\$ (58,523)</u>	<u>\$ (897)</u>	<u>\$ (51,075)</u>	<u>\$ (28,704)</u>	<u>\$ (63,810)</u>	<u>\$ (74,598)</u>

MARION TOWNSHIP

**PROPRIETARY SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
User charges	\$ 220,000	\$ 239,446	\$ 19,446
Interest income - assessments	200,000	350,668	150,668
Interest income - bank		3,394	3,394
Connection fees	10,000	86,799	76,799
Other		6,176	6,176
	<u>430,000</u>	<u>686,483</u>	<u>256,483</u>
EXPENSES			
Amortization - bond issuance costs		71,440	(71,440)
Debt-interest expense	249,899	299,611	(49,712)
Maintenance of system (contract labor)	47,000	39,527	7,473
Administrative fees - billing admin.	16,000	16,915	(915)
Professional fees	11,000	17,218	(6,218)
Administrative fees - reimbursement to general fund	8,000	4,000	4,000
Repairs and maintenance	29,000	13,840	15,160
Utilities	11,000	10,237	763
Sewer usage	110,000	137,972	(27,972)
Depreciation		664,768	(664,768)
Telephone	6,000	5,988	12
	<u>487,899</u>	<u>1,281,516</u>	<u>(793,617)</u>
Net change in net position	(57,899)	(595,033)	(537,134)
BEGINNING NET POSITION	<u>19,204,003</u>	<u>19,204,003</u>	
ENDING NET POSITION	<u>\$ 19,146,104</u>	<u>\$ 18,608,970</u>	<u>\$ (537,134)</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.

November 5, 2014

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, 2014, 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.

RESPONSE BY MANAGEMENT

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

OTHER MATTERS

As discussed in further detail in the following paragraphs we came across other matters which we feel should be reported and discussed with you but, in our view, do not constitute material weaknesses or significant deficiencies:

1. **SAFE KEEPING OF CASH, CHECKS AND IMPORTANT DOCUMENTS**

We noted the Township does not own a safe to hold cash, checks and other important documents while kept at the Township hall. We suggest for safekeeping a combination safe be purchased to store the aforementioned while in the possession of the Township. Cash and checks should be deposited on a daily basis or as soon as feasibly possible to keep the amounts on hand to a minimum.

2. **INTEREST INCOME - POSTING TO THE GENERAL LEDGER**

Interest income for various savings accounts is not being timely recorded in the general ledger. The general ledger should be reconciled monthly with the savings bank statements.

3. **UNRECORDED BANK ACCOUNT WITH \$40**

The Township has a bank account with a \$40 balance which has been there for a few years. The amount has never been recorded in the general ledger. If the account is not going to be used, it should be closed.

4. **SPECIAL ASSESSMENT RECEIVABLE BALANCES RECONCILIATION**

In order to ensure that the special assessment receivable parcel balances are accurate in the subsidiary ledger we recommend that each parcel balance be reconciled between the beginning of year balance and end of year balance. Instances were found where the assessment receivable balances as of 7/1/13 (beginning balances for the year ending 6/30/14) did not tie to the balances as of 6/30/13 (ending balances for the year ending 6/30/13). The beginning balances for this year should be the same as the ending balances for last year.

We were able to locate the adjustments made in the subsidiary system which made up these differences. However, for future reference, these types of adjustments should be included in the schedules as separate disclosed items and part of the reconciliation.

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

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA

Certified Public Accountants