

MARION TOWNSHIP

Report on Audit of Financial Statements

For the Year Ended June 30, 2015

MARION TOWNSHIP

TOWNSHIP OFFICIALS

Supervisor - Robert Hanvey
Clerk - Tammy Beal
Treasurer - James Murray

BOARD OF TRUSTEES

Robert Hanvey
Tammy Beal
Gregory Durbin
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 13, 2015

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, Michigan, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Marion Township, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion Township Michigan, as of June 30, 2015, 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 50 - 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

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

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

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA

Certified Public Accountants

Brighton, MI

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis June 30, 2015

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, 2015. 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 \$35,170,041. This is a \$695,906 decrease over last year's net position of \$35,865,947.

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

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

	Governmental Activities		Business-type Activities		Total	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
ASSETS						
Current and other assets	\$ 16,281,069	\$ 16,609,139	\$ 6,950,827	\$ 8,319,689	\$ 23,231,896	\$ 24,928,828
Capital assets	1,131,711	1,442,555	14,919,253	15,332,877	16,050,964	16,775,432
Deferred outflows of resources - Deferred charge on refunding of bonds		4,945				4,945
Total assets and deferred outflows of resources	17,412,780	18,056,639	21,870,080	23,652,566	39,282,860	41,709,205
LIABILITIES						
Other liabilities	70,623	297,348	41,039	33,596	111,662	330,944
Bonds/contracts payable	201,157	502,314	3,800,000	5,010,000	4,001,157	5,512,314
Total liabilities	271,780	799,662	3,841,039	5,043,596	4,112,819	5,843,258
NET POSITION						
Invested in capital assets, net of related debt	1,131,711	1,442,555	11,119,253	10,322,877	12,250,964	11,765,432
Unrestricted	14,217,741	13,603,728	2,509,789	332,936	16,727,530	13,936,664
Restricted	1,791,548	2,210,694	4,399,999	7,953,157	6,191,547	10,163,851
Total net position	\$ 17,141,000	\$ 17,256,977	\$ 18,029,041	\$ 18,608,970	\$ 35,170,041	\$ 35,865,947

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

	Governmental Activities		Business-type Activities		Total	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
REVENUES						
Program revenues:						
Charges for services	\$ 261,627	\$ 302,557	\$ 254,001	\$ 245,622	\$ 515,628	\$ 548,179
Operating contributions	205	209,733			205	209,733
Capital contributions	61,824		112,750	86,799	174,574	86,799
General revenues:						
State shared revenues	797,693	749,851			797,693	749,851
Property taxes	318,337	306,167			318,337	306,167
Interest income						
Investments and assessments	64,791	127,567	252,966	354,062	317,757	481,629
Other	109,045	65,892			109,045	65,892
Grants		4,205				4,205
Gain on sale of capital assets	(394,126)				(394,126)	
Transfers	(53,699)		53,699			
Change in equity of joint ventures	(112,488)	(40,746)			(112,488)	(40,746)
Total revenues	<u>1,053,209</u>	<u>1,725,226</u>	<u>673,416</u>	<u>686,483</u>	<u>1,726,625</u>	<u>2,411,709</u>
EXPENSES						
General government	930,863	851,650			930,863	851,650
Parks and recreation	44,527	127,597			44,527	127,597
Public works	169,243	269,274			169,243	269,274
Interest on long-term debt	24,553	38,275			24,553	38,275
Sewer system			1,253,345	1,281,516	1,253,345	1,281,516
Total expenses	<u>1,169,186</u>	<u>1,286,796</u>	<u>1,253,345</u>	<u>1,281,516</u>	<u>2,422,531</u>	<u>2,568,312</u>
Change in net position	(115,977)	438,430	(579,929)	(595,033)	(695,906)	(156,603)
BEGINNING 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>
ENDING NET POSITION	<u>\$ 17,141,000</u>	<u>\$ 17,256,977</u>	<u>\$ 18,029,041</u>	<u>\$ 18,608,970</u>	<u>\$ 35,170,041</u>	<u>\$ 35,865,947</u>

The governmental activity net position decreased by \$115,977, mostly due to a loss on disposal of previously recorded capital assets.

The business-type activity expenses exceeded revenues for a net loss of \$579,929 for the year ended June 30, 2015. 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, 2015. Three of the four major funds were governmental funds which included: the General Fund, the Water System Assessment Fund, and the Water New User Fund. The sole business-type fund was the Sewer Fund.

The General Fund had revenues over expenditures totaling \$306,783, primarily due to decreased public works costs.

The Water System Assessment Fund had expenditures exceeding revenues by \$148,901. 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 \$86,035. 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 \$579,929. 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.

Budgetary Highlights

The Township adopted its budgets prior to beginning operations for the year ended June 30, 2015. 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 \$118,592 in capital assets, consisting of costs to acquire land and a generator for the building. The Governmental activities also disposed of previously recorded intangible road infrastructure assets with a net book value of \$394,126, which were deemed to not be of significant value to the Township.

The business-type activities acquired \$251,715 in capital assets, consisting of land purchase through tax foreclosure sales and additional land acquisition costs.

The Township issued no new debt during the year, while retiring \$301,157 of governmental debt and \$1,210,000 of proprietary debt.

Economic Conditions and Future Activities

Township residential growth is recovering with an increase in new dwelling units in 2014-2015. Nearly half of those units were built on lots purchased by the Township at State foreclosure auctions to protect sewer and water special assessments. Stabilization in the Township taxable values has continued with 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 help entice those looking to relocate (individuals and businesses) to Livingston County.

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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
ASSETS			
Cash and investments	\$ 2,511,024	\$ 231,317	\$ 2,742,341
Cash and investments - restricted	1,626,420	4,398,996	6,025,416
Receivables:			
State shared revenues	262,176		262,176
Accounts	41,410	90,176	131,586
Special assessments restricted for capital and debt	536,871	2,234,335	2,771,206
Interest		1,003	1,003
Internal balances	5,000	(5,000)	
Prepaid expenses	33,882		33,882
Investment in joint ventures	11,264,286		11,264,286
Capital assets			
Land	370,621	792,099	1,162,720
Other capital assets, net of depreciation	761,090	14,127,154	14,888,244
Total assets	17,412,780	21,870,080	39,282,860
<u>LIABILITIES</u>			
LIABILITIES			
Accounts payable	25,717	41,039	66,756
Accrued liabilities	44,906		44,906
Noncurrent liabilities:			
Due within one year	201,157	1,195,000	1,396,157
Due beyond one year		2,605,000	2,605,000
Total liabilities	271,780	3,841,039	4,112,819
<u>NET POSITION</u>			
NET POSITION			
Invested in capital assets, net of related debt	1,131,711	11,119,253	12,250,964
Restricted for:			
Road construction and maintenance	176,821		176,821
Capital projects	1,170,396	2,197,108	3,367,504
Debt service	444,331	2,202,891	2,647,222
Unrestricted	14,217,741	2,509,789	16,727,530
Total net position	\$ 17,141,000	\$ 18,029,041	\$ 35,170,041

The notes are an integral part of the financial statements.

MARION TOWNSHIP

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue (Expenses) and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Contributions</u>	<u>Capital Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES							
General government	\$ (930,863)	\$ 250,871	\$	\$	\$ (679,992)	\$	\$ (679,992)
Parks and recreation/ community development	(44,527)	5,631	205		(38,691)		(38,691)
Public works	(169,243)	5,125		61,824	(102,294)		(102,294)
Interest on long-term debt	(24,553)				(24,553)		(24,553)
Total governmental activities	<u>(1,169,186)</u>	<u>261,627</u>	<u>205</u>	<u>61,824</u>	<u>(845,530)</u>		<u>(845,530)</u>
BUSINESS-TYPE ACTIVITY							
Sewer system	(1,253,345)	254,001		112,750		(886,594)	(886,594)
Total	<u>\$ (2,422,531)</u>	<u>\$ 515,628</u>	<u>\$ 205</u>	<u>\$ 174,574</u>	<u>(845,530)</u>	<u>(886,594)</u>	<u>(1,732,124)</u>
		General revenues					
					318,337		318,337
					797,693		797,693
					61,637	250,037	311,674
					3,154	2,929	6,083
					34,845		34,845
					(394,126)		(394,126)
					74,200		74,200
					<u>895,740</u>	<u>252,966</u>	<u>1,148,706</u>
		Other Items					
					(53,699)	53,699	
					(112,488)		(112,488)
					<u>(166,187)</u>	<u>53,699</u>	<u>(112,488)</u>
					Changes in net position	(579,929)	(695,906)
					Net position, July 1, 2014	18,608,970	35,865,947
					Net position, June 30, 2015	\$ 18,029,041	\$ 35,170,041

The notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

MARION TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	Major Funds				Total
	General Fund	Water System Assessment Fund	Water New User Fund	Other Nonmajor Funds	
ASSETS					
Cash and investments	\$ 2,325,695	\$ 444,932	\$ 1,181,488	\$ 185,329	\$ 4,137,444
Receivables					
Special assessments, net		226,437	209,434	101,000	536,871
State shared revenues	262,176				262,176
Accounts receivable - other	7,687				7,687
Due from other funds	43,722		601	16,180	60,503
Prepaid expenditures	33,882				33,882
Total assets	\$ 2,673,162	\$ 671,369	\$ 1,391,523	\$ 302,509	\$ 5,038,563
LIABILITIES					
Accounts payable	\$ 14,432		\$ 4,693	\$ 4,592	\$ 23,717
Accrued wages and pension	38,800				38,800
Due to other funds	16,180	601	7,000		23,781
Total liabilities	69,412	601	11,693	4,592	86,298
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue		226,437	209,434	101,000	536,871
FUND BALANCES					
Non-spendable:					
Prepaid expenditures	33,882				33,882
Restricted for:					
Private roads				176,821	176,821
Debt service		444,331			444,331
Capital projects			1,170,396		1,170,396
Committed to:					
Cemetery				20,096	20,096
Capital improvement	40,864				40,864
Community events	4,382				4,382
Assigned to future budget deficits	467,489				467,489
Unassigned	2,057,133				2,057,133
Total fund balances	2,603,750	444,331	1,170,396	196,917	4,415,394
Total liabilities, deferred inflows of resources and fund balances	\$ 2,673,162	\$ 671,369	\$ 1,391,523	\$ 302,509	\$ 5,038,563

The notes are an integral part of the financial statements.

MARION TOWNSHIP

**RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total fund balance per balance sheet		\$ 4,415,394
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.</p>		
Historical cost	\$ 1,804,137	
Depreciation	<u>(672,426)</u>	
Capital assets net of depreciation		1,131,711
<p>Equity interests in joint ventures are not financial resources and therefore not reported in the funds</p>		
Equity in joint ventures		11,264,286
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:</p>		
Contracts payable	(126,157)	
Bonds payable	<u>(75,000)</u>	
Total long-term liabilities		(201,157)
<p>Accrued sick and vacation is not included as a liability in the governmental funds</p>		
		(6,106)
<p>Unavailable revenues on special assessments was recognized as revenue in the government-wide statements. Assessments are income as they are assessed.</p>		
Unavailable income	1,586,872	
Interfund SAD receivable	<u>(1,050,000)</u>	
Total		<u>536,872</u>
Net position of governmental activities		<u><u>\$ 17,141,000</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, 2015**

	Major Funds			Other Nonmajor Funds	Eliminations	Total
	General Fund	Water System Assessment Fund	Water New User Fund			
REVENUES						
Taxes	\$ 318,337	\$	\$	\$	\$	\$ 318,337
Special assessments		178,303	138,014	67,031		383,348
State shared revenues	797,693					797,693
Licenses and permits	138,279					138,279
Connection fees			11,585			11,585
Rental income	34,845					34,845
Donations	205					205
Charges for services	118,223			5,125		123,348
Interest	2,511	643				3,154
Miscellaneous	74,200					74,200
Total revenues	1,484,293	178,946	149,599	72,156		1,884,994
EXPENDITURES						
Current:						
General government	930,277					930,277
Parks and recreation/community development	129,110					129,110
Public works	103,123	2,137	9,865	49,173		164,298
Debt service:						
Principal		301,157				301,157
Interest		24,553				24,553
Total expenditures	1,162,510	327,847	9,865	49,173		1,549,395
Excess of revenues over (under) expenditures	321,783	(148,901)	139,734	22,983		335,599
OTHER FINANCING SOURCES (USES)						
Transfers in				15,000	(15,000)	
Transfers (out)	(15,000)		(53,699)		15,000	(53,699)
Total other financing sources (uses)	(15,000)		(53,699)	15,000		(53,699)
Net changes in fund balances	306,783	(148,901)	86,035	37,983		281,900
FUND BALANCE, JULY 1, 2014	2,296,967	593,232	1,084,361	158,934		4,133,494
FUND BALANCE, JUNE 30, 2015	\$ 2,603,750	\$ 444,331	\$ 1,170,396	\$ 196,917	\$	\$ 4,415,394

The notes are an integral part of the financial statements.

MARION TOWNSHIP

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net change in fund balances - governmental funds		\$ 281,900
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<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	\$ 118,592	
Disposal of assets	(394,126)	
Depreciation expense	<u>(35,310)</u>	
Net effect of capital assets		(310,844)
<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		(4,945)
<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>175,000</u>	
Net effect of debt retirement		301,157
<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	(274,769)	
Adjustments to assessments	(46,942)	
Assessments levied	<u>50,239</u>	
Net effect of assessments		(271,472)
<p>Accrued sick and vacation is not included as an expenditure in the governmental funds.</p>		
		715
<p>Income (loss) from joint ventures is reported in the statement of activities but not in the funds statement of revenues, expenditures and changes in fund balance.</p>		
		<u>(112,488)</u>
Change in net position of governmental activities		<u><u>\$ (115,977)</u></u>

The notes are an integral part of the financial statements.

MARION TOWNSHIP

**STATEMENT OF NET POSITION
PROPRIETARY - SEWER FUND
JUNE 30, 2015**

CURRENT ASSETS

Cash and investments	\$ 231,317	
Accounts receivable - usage	88,688	
Due from other funds	<u>1,488</u>	
Total current assets		\$ 321,493

CURRENT ASSETS (RESTRICTED)

Cash and cash equivalents		
Debt service & future improvements	2,201,888	
Phase II plant	2,197,108	
Accrued interest	<u>1,003</u>	
Total current assets (restricted)		4,399,999

PROPERTY, PLANT AND EQUIPMENT

Sewer collection system	14,060,318	
Sewer plant	9,795,116	
Computers, equipment, software	134,102	
Land	<u>792,099</u>	
	24,781,635	
Less: accumulated depreciation	<u>(9,862,382)</u>	
Net property, plant and equipment		14,919,253

RESTRICTED ASSETS

Special assessments receivable		
Bonded	2,211,835	
Unbonded	<u>22,500</u>	
Total restricted assets		<u>2,234,335</u>
Total assets		<u><u>\$ 21,875,080</u></u>

CURRENT LIABILITIES

Accounts payable	\$ 41,039	
Due to other funds	5,000	
Bond payable - refunding series 2007 (from restricted assets)	<u>1,195,000</u>	
Total current liabilities		\$ 1,241,039

LONG-TERM LIABILITIES

Bond payable - refunding series 2007 (from restricted assets)		<u>2,605,000</u>
Total liabilities		3,846,039

NET POSITION

Invested in capital assets net of related debt	11,119,253	
Reserved for:		
Capital projects	2,197,108	
Debt service	2,202,891	
Unreserved	<u>2,509,789</u>	
Total net position		<u>18,029,041</u>
Total liabilities and net position		<u><u>\$ 21,875,080</u></u>

The notes are an integral part of the financial statements.

MARION TOWNSHIP

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY - SEWER FUND
 FOR THE YEAR ENDED JUNE 30, 2015**

OPERATING REVENUES

User charges		\$ 254,001
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OPERATING EXPENSES

Contract labor	\$ 45,275	
Sewer usage fee	151,343	
Depreciation expense	665,339	
Utilities	8,164	
Telephone	7,485	
Administrative fees - reimbursement to general fund	5,000	
Professional fees	7,531	
Administrative fees - billing administration Genoa Township	18,055	
Repairs and maintenance	1,658	
Miscellaneous	440	

Total operating expenses		<u>910,290</u>
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Operating (loss)		(656,289)
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NON-OPERATING REVENUES AND (EXPENSES)

Interest income - assessments	250,037	
Interest income - cash and investments	2,929	
Interest expense - debt	(204,267)	
Transfers in	53,699	
Amortization - bond issuance costs	(138,788)	

Total non-operating net revenues (expenses)		(36,390)
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CAPITAL CONTRIBUTIONS

Connection fees - new users		<u>112,750</u>
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Change in net position		(579,929)
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NET POSITION, JULY 1, 2014		<u>18,608,970</u>
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NET POSITION, JUNE 30, 2015		<u><u>\$ 18,029,041</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, 2015**

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	
Cash receipts from:	
Customer usage	\$ 245,451
Cash disbursements to:	
Operating vendors	<u>(237,508)</u>
Net cash from operating activities	7,943
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	
Special assessment collections - principal and interest	\$ 1,065,211
Connection fees received	112,750
Repayment of bond payable - principal	(1,210,000)
Repayment of bond payable - interest	(204,267)
Short term advance and repayment to other fund	464
Purchase of capital assets	(251,715)
Intergovernmental transfers	<u>53,699</u>
Net cash flows from (used in) capital and related financing activities	(433,858)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income - cash and investments	<u>3,509</u>
(Decrease) in cash and cash equivalents	(422,406)
BALANCE, JULY 1, 2014	<u>5,052,719</u>
BALANCE, JUNE 30, 2015	<u><u>\$ 4,630,313</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM (USED IN) OPERATING ACTIVITIES	
Operating income (loss)	\$ (656,289)
Adjustments to reconcile operating income (loss) to net cash from (used in) operating activities:	
Depreciation expense	665,339
Change in assets and liabilities:	
Receivables, net	(8,550)
Accounts and other payables	<u>7,443</u>
Net cash from operating activities	<u><u>\$ 7,943</u></u>
NON CASH CAPITAL ACTIVITIES	
There were no non cash capital asset acquisitions through contributions by others.	

The notes are an integral part of the financial statements.

MARION TOWNSHIP

STATEMENT OF ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 JUNE 30, 2015

	Agency Funds			Total
	Flexible Medical Savings Fund	Escrow Fund	Current Tax Fund	
ASSETS				
Cash and investments	\$ 39,287	\$ 53,012	\$ 607	\$ 92,906
Due from others		2,000		2,000
Total assets	<u>\$ 39,287</u>	<u>\$ 55,012</u>	<u>\$ 607</u>	<u>\$ 94,906</u>
LIABILITIES				
Due to others	\$ 5,565	\$ 53,524	\$ 607	\$ 59,696
Due to other funds	33,722	1,488		35,210
Total liabilities	<u>\$ 39,287</u>	<u>\$ 55,012</u>	<u>\$ 607</u>	<u>\$ 94,906</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, 2015

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) standards 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 standards and determined not to be component units based on financial independence and accountability.

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

B. BASIC FINANCIAL STATEMENTS

In accordance with GASB standards, the basic financial statements include both government-wide and fund financial statements.

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

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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 standards. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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 System Assessment Fund accounts for all the activity associated with the collection of special assessments 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 sources.

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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 standards, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for any activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges of the activity, or 3) it is the policy of the Township to establish activity fees or charges to recover the cost of providing services, including capital costs.

On the 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, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

D. BUDGETS AND BUDGETARY ACCOUNTING

1. A 2014 - 2015 fiscal year budget for each governmental fund was adopted by the Township Board in June of 2014. 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 standards, all capital assets, whether owned by governmental activities or business-type activities are recorded and depreciated in the government-wide financial statements. No capital assets or depreciation are shown in the governmental funds financial statements.

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

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

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

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 \$387,577,071. For the year ended June 30, 2015, the Township recognized the property taxes levied December 1, 2014 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, 2015**

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

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

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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 no items that qualifies for reporting in this category.

N. DEFERRED INFLOWS OF RESOURCES

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

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 2 - DEPOSITS AND INVESTMENTS

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

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

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

Custodial Credit Risk

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

As of June 30, 2015, the carrying value of deposits in banks totaled \$6,663,326 which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 2,402,286
Uninsured and collateralized by securities held by pledging financial institutions	4,137,144
Uninsured and Uncollateralized	<u>123,896</u>
Total deposits in banks	<u><u>\$ 6,663,326</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.

MARION TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS - continued

As of June 30, 2015, the Township's investments were exposed to custodial credit risk as follows:

Non-negotiable CD's	\$ 1,676,126
U.S. treasury money market	<u>2,197,108</u>
	<u>\$ 3,873,234</u>
Insured by FDIC and collateralized	\$ 1,676,126
Insured by SIPC	500,000
Uninsured and uncollateralized	<u>1,697,108</u>
	<u>\$ 3,873,234</u>

Credit Risk

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

As of June 30, 2015, the Township's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>	<u>Amount</u>
Non-negotiable CD's	Unrated	\$ 1,676,126
US Treasury MM Fund	Unrated	\$ 2,197,108

The Township's investment policy addresses credit risk and investments held at June 30, 2015, comply with the policy and statutory authority.

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 2 - DEPOSITS AND INVESTMENTS - continued

As of June 30, 2015, cash and investments consist of the following:

	Total	Cash	Investments
Checking accounts	\$ 4,030,323	\$ 4,030,323	\$
Money market and savings accounts	956,711	956,711	
Non-negotiable CDs	1,676,126		1,676,126
Total	6,663,160	4,987,034	1,676,126
Other:			
Petty cash	395	395	
US treasury money market fund	2,197,108		2,197,108
Total cash and investments	\$ 8,860,663	\$ 4,987,429	\$ 3,873,234

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

Statement of Net Position	
Cash and investments	\$ 2,682,448
Cash and investments - restricted	6,085,309
Total	8,767,757
Fiduciary Funds	
Cash and investments	92,906
Total cash and investments	\$ 8,860,663

Differences in the above reconciliation and actual amounts consist of cash on hand and outstanding items that had not cleared the bank as of June 30, 2015.

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>June 30, 2015 Balance</u>	<u>Description</u>
General Fund	Water-New User Fund	\$ 5,000	Allocated wages
General Fund	Sewer Fund	5,000	Allocated wages
General Fund	Flexible Savings Fund	33,722	Reimbursement
Private Road Assessment fund	General Fund	16,180	Reimbursement
Sewer Fund	Escrow Fund	1,488	Reimbursement
Water System Assessment Fund	Water-New User Fund	601	Reimbursement
Escrow Fund	Water-New User Fund	<u>2,000</u>	Reimbursement
		<u>\$ 63,991</u>	

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

The Township transferred \$15,000 from the General Fund to the Cemetery Fund toward future maintenance costs and \$53,699 from the Water New User Fund to the Sewer Fund to aid in the purchase of land acquisitions.

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 4 - CAPITAL ASSETS

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

	Audited Balance 7/1/2014	Additions	Deletions	Audited Balance 6/30/2015
<u>Governmental Activities</u>				
Capital assets not being depreciated				
Land	\$ 281,119	\$ 89,502	\$	\$ 370,621
CIP - Intangible infrastructure costs	41,071		(41,071)	
Total capital assets not being depreciated	322,190	89,502	(41,071)	370,621
Capital assets being depreciated:				
Buildings	1,204,795			1,204,795
Equipment	96,164	29,090		125,254
Park improvements	103,467			103,467
Intangible infrastructure costs	362,930		(362,930)	
Subtotal	1,767,356	29,090	(362,930)	1,433,516
Accumulated depreciation:				
Buildings	(520,465)	(25,575)		(546,040)
Equipment	(75,801)	(4,816)		(80,617)
Park improvements	(40,850)	(4,919)		(45,769)
Intangible infrastructure costs	(9,875)		9,875	
Subtotal	(646,991)	(35,310)	9,875	(672,426)
Net capital assets being depreciated	1,120,365	(6,220)	(353,055)	761,090
Net capital assets	\$ 1,442,555	\$ 83,282	\$ (394,126)	\$ 1,131,711

The Township has no debt associated with these assets.

Depreciation expense was charged to the following programs:

Governmental activities:	
General government	\$ 30,391
Parks and recreation	4,919
	\$ 35,310

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 4 - CAPITAL ASSETS – continued

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

	Audited Balance 7/1/2014	Additions	Deletions	Audited Balance 6/30/2015
<u>Business-type Activities</u>				
Capital assets not being depreciated				
Land	\$ 267,740	\$ 45,000	\$	\$ 312,740
Land acquisition costs	272,644	206,715		479,359
	540,384	251,715		792,099
Capital assets being depreciated:				
Sewer plant	9,795,116			9,795,116
Collection system	14,060,318			14,060,318
Equipment	134,102			134,102
	Subtotal 23,989,536			23,989,536
Accumulated depreciation:				
Sewer plant	(3,691,900)	(267,757)		(3,959,657)
Collection system	(5,371,041)	(397,582)		(5,768,623)
Equipment	(134,102)			(134,102)
	Subtotal (9,197,043)	(665,339)		(9,862,382)
Net capital assets being depreciated	14,792,493	(665,339)		14,127,154
Net capital assets	\$ 15,332,877	\$ (413,624)	\$	14,919,253
Less: Related long-term debt outstanding as of June 30, 2015				(3,800,000)
Net assets invested in business-type capital assets net of related debt				\$ 11,119,253

Depreciation expense was charged to the sewer disposal program.

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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%	\$ 72,685
Livingston County Joint Water System Series E	\$ 743,750	\$ 22,222 — \$ 53,472	6/1/2016	5.20 — 5.375%	<u>53,472</u>
Total contracts payable outstanding					<u><u>\$ 126,157</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>
2016	<u>\$ 126,157</u>	<u>\$ 6,960</u>

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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%	\$ 75,000
Business-type activities:					
2005 Sanitary Sewer refunding bonds	\$ 13,525,000	\$ 115,000 — \$ 1,210,000	6/1/2019	3.5 — 4.2%	<u>3,800,000</u>
Total general obligation bonds					<u><u>\$ 3,875,000</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>
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>\$ 75,000</u>	<u>\$ 3,000</u>	<u>\$ 3,800,000</u>	<u>\$ 341,674</u>

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015:

	<u>Balance 7/1/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2015</u>	<u>Due Within One Year</u>
Governmental activities:					
Contracts payable	\$ 252,314	\$	\$ (126,157)	\$ 126,157	\$ 126,157
General obligation bonds	<u>250,000</u>		<u>(175,000)</u>	<u>75,000</u>	<u>75,000</u>
Governmental activity long-term liabilities	502,314		(301,157)	201,157	201,157
Business-type activities:					
General obligation bonds	<u>5,010,000</u>		<u>(1,210,000)</u>	<u>3,800,000</u>	<u>1,195,000</u>
Total long-term liabilities	<u>\$ 5,512,314</u>	<u>\$</u>	<u>\$ (1,511,157)</u>	<u>\$ 4,001,157</u>	<u>\$ 1,396,157</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 4.0% 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, 2015 was \$370,168.

TOTAL CURRENT YEAR EMPLOYER CONTRIBUTIONS

\$ 14,806

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, 2015**

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

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

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

	<u>7/1/2014</u>	<u>6/30/2015</u>
Current assets		
Cash and investments	\$ 5,052,719	\$ 4,630,313

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 that a portion, if not all, of certain assessments may ultimately be uncollectable. Management has evaluated all uncollected special assessments throughout the Township. As indicated in the following schedule, management has estimated the following long-term special assessments receivable will be uncollectable:

	<u>Water Assessment Fund</u>	<u>Water New User Fund</u>	<u>Sewer Fund</u>	<u>Assessment Revolving Project Fund</u>	<u>Total</u>
Gross special assessments receivable	\$ 376,007	\$ 364,722	\$ 3,829,151	\$ 101,000	\$ 4,670,880
Less: allowance for uncollectable assessments	(149,570)	(155,288)	(1,594,816)		(1,899,674)
Net special assessments receivable	\$ 226,437	\$ 209,434	\$ 2,234,335	\$ 101,000	\$ 2,771,206

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015 consisted of the following:

	Water Assessment Fund	Water New User Fund	Sewer Fund	Total
Cash and cash equivalents	\$ 444,932	\$ 1,181,488	\$ 4,398,996	\$ 6,025,416
Special assessment receivables	226,437	209,434	2,234,335	2,670,206
Total	\$ 671,369	\$ 1,390,922	\$ 6,633,331	\$ 8,695,622

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, 2015 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 \$10,591,461 as of June 30, 2015. 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, 2014 (the date financial information was last available) were as follows:

Total assets	\$ 46,356,245
Total liabilities	\$ 3,990,402
Total net position	\$ 42,365,843
Total revenue	\$ 2,840,911
Total expenses	\$ 3,290,862

MARION TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015. 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 (the date financial information was last available) 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, 2015 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, 2015**

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 (the date financial information was last available) 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, 2015

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 313,000	\$ 317,500	\$ 318,337	\$ 837
Licenses and permits	107,380	135,850	138,279	2,429
State shared revenues	760,000	785,000	797,693	12,693
Charges for services	109,000	112,000	112,592	592
Other revenues	62,841	74,041	117,392	43,351
Total revenues	1,352,221	1,424,391	1,484,293	59,902
EXPENDITURES	1,916,988	1,445,575	1,162,510	283,065
Excess of revenues over (under) expenditures	(564,767)	(21,184)	321,783	342,967
OTHER FINANCING SOURCES (USES)				
Transfers in		45,000		(45,000)
Transfers (out)	(25,000)	(41,000)	(15,000)	26,000
Total other financing sources (uses)	(25,000)	4,000	(15,000)	(19,000)
Net change in fund balance	(589,767)	(17,184)	306,783	323,967
FUND BALANCE, JULY 1, 2014	2,296,967	2,296,967	2,296,967	
FUND BALANCE, JUNE 30, 2015	\$ 1,707,200	\$ 2,279,783	\$ 2,603,750	\$ 323,967

MARION TOWNSHIP

WATER SYSTEM ASSESSMENT FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2015

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Special assessments - principal	\$ 150,781	\$ 150,781	\$ 153,416	\$ 2,635
Special assessments - interest	13,208	13,208	24,887	11,679
Interest income			643	643
Total revenues	<u>163,989</u>	<u>163,989</u>	<u>178,946</u>	<u>14,957</u>
EXPENDITURES				
Debt - principal	301,157	301,157	301,157	
Debt - interest	23,922	23,922	23,922	
Agent fees	450	450	631	(181)
Other	1,600	1,600	2,137	(537)
Total expenditures	<u>327,129</u>	<u>327,129</u>	<u>327,847</u>	<u>(718)</u>
Net change in fund balance	(163,140)	(163,140)	(148,901)	14,239
FUND BALANCE, JULY 1, 2014	<u>593,232</u>	<u>593,232</u>	<u>593,232</u>	
FUND BALANCE, JUNE 30, 2015	<u>\$ 430,092</u>	<u>\$ 430,092</u>	<u>\$ 444,331</u>	<u>\$ 14,239</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

MARION TOWNSHIP

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015. 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, 2015 expenditures exceeded appropriations in several areas of the General Fund of an immaterial nature.

SUPPLEMENTAL INFORMATION

COMBINING FINANCIAL STATEMENTS

MARION TOWNSHIP

**ALL FUNDS INCLUDED IN GASB 54 GENERAL FUND CONSOLIDATION
COMBINING BALANCE SHEET
JUNE 30, 2015**

	General Fund Pre - GASB 54 Consolidation	Recreation Fund	Heritage Days Fund	Eliminations	Totals Restated General Fund
ASSETS					
Cash and investments	\$ 2,307,993	\$ 13,320	\$ 4,382	\$	\$ 2,325,695
State shared revenue receivable	262,176				262,176
Accounts receivable	7,687				7,687
Due from other funds	43,722	28,225		(28,225)	43,722
Prepaid expenses	33,882				33,882
Total assets	<u>\$ 2,655,460</u>	<u>\$ 41,545</u>	<u>\$ 4,382</u>	<u>\$ (28,225)</u>	<u>\$ 2,673,162</u>
Liabilities					
Accounts payable	\$ 13,901	\$ 531		\$	\$ 14,432
Accrued wages and pension payable	38,650	150			38,800
Due to other funds	44,405			(28,225)	16,180
Total liabilities	<u>96,956</u>	<u>681</u>		<u>(28,225)</u>	<u>69,412</u>
Fund Balances					
Nonspendable for:					
Prepaid expenses	33,882				33,882
Committed to:					
Capital improvement		40,864			40,864
Community events			4,382		4,382
Unassigned	2,524,622				2,524,622
Total fund balance	<u>2,558,504</u>	<u>40,864</u>	<u>4,382</u>		<u>2,603,750</u>
Total liabilities and fund balance	<u>\$ 2,655,460</u>	<u>\$ 41,545</u>	<u>\$ 4,382</u>	<u>\$ (28,225)</u>	<u>\$ 2,673,162</u>

MARION TOWNSHIP

ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	Cemetery Fund	Water System Assessment Fund	Assessment Revolving Project Fund	Totals
ASSETS				
Cash and investments	\$ 21,198	\$ 444,932	\$ 164,131	\$ 630,261
Special assessments receivable, net		226,437	101,000	327,437
Due from other funds			16,180	16,180
Total assets	<u>\$ 21,198</u>	<u>\$ 671,369</u>	<u>\$ 281,311</u>	<u>\$ 973,878</u>
LIABILITIES				
Accounts payable	\$ 1,102	\$	\$ 3,490	\$ 4,592
Due to other funds		601		601
Total liabilities	1,102	601	3,490	5,193
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue		226,437	101,000	327,437
FUND BALANCE	<u>20,096</u>	<u>444,331</u>	<u>176,821</u>	<u>641,248</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 21,198</u>	<u>\$ 671,369</u>	<u>\$ 281,311</u>	<u>\$ 973,878</u>

MARION TOWNSHIP
ALL NONMAJOR FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	Cemetery Fund	Assessment Revolving Project Fund	Totals
ASSETS			
Cash and investments	\$ 21,198	\$ 164,131	\$ 185,329
Special assessments receivable, net		101,000	101,000
Due from other funds		16,180	16,180
	<u>\$ 21,198</u>	<u>\$ 281,311</u>	<u>\$ 302,509</u>
Total assets	<u>\$ 21,198</u>	<u>\$ 281,311</u>	<u>\$ 302,509</u>
LIABILITIES			
Accounts payable	\$ 1,102	\$ 3,490	\$ 4,592
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue		101,000	101,000
FUND BALANCE	<u>20,096</u>	<u>176,821</u>	<u>196,917</u>
	<u>\$ 21,198</u>	<u>\$ 281,311</u>	<u>\$ 302,509</u>
Total liabilities, deferred inflows of resources and fund balance			

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, 2015

	General Fund - Pre GASB			Totals
	54	Recreation	Heritage Days	Restated
	Consolidation	Fund	Fund	General
			Eliminations	Fund
REVENUES				
Taxes	\$ 318,337	\$	\$	\$ 318,337
Licenses and permits	138,279			138,279
State shared revenues	797,693			797,693
Charges for services	112,592			112,592
Interest	2,511			2,511
Cell tower lease	34,845			34,845
Community event income			5,631	5,631
Donation		205		205
Other	74,105	95		74,200
Total revenues	1,478,362	300	5,631	1,484,293
EXPENDITURES				
Current:				
Payroll taxes and benefits	210,812			210,812
Township board	40,314			40,314
Supervisor	36,990			36,990
Public works	5,000			5,000
Election	24,113			24,113
Professional fees	32,993			32,993
Assessor	90,301			90,301
Legal	10,076			10,076
Clerk	61,163			61,163
Tax roll prep	7,393			7,393
Board of review	2,788			2,788
Treasurer	77,086			77,086
Unallocated	102,493			102,493
Cemetery	6,000			6,000
Zoning	36,295			36,295
Planning commission	10,528			10,528
Zoning board of appeals	4,463			4,463
Drains	10,820			10,820
Roads	81,303			81,303
Recreation	102,445	17,080		119,525
Community event expenditures	411		9,174	9,585
Bonds and insurance	52,912			52,912
Building improvement	39,865			39,865
Equipment	190			190
Land acquisition	89,502			89,502
Total expenditures	1,136,256	17,080	9,174	1,162,510
Excess of revenues over (under) expenditures	342,106	(16,780)	(3,543)	321,783

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, 2015**

	General Fund - Pre GASB 54 Consolidation	Recreation Fund	Heritage Days Fund	Eliminations	Totals Restated General Fund
OTHER FINANCING SOURCES (USES)					
Transfers in	45,000	22,000		(67,000)	
Transfers (out)	(37,000)	(45,000)		67,000	(15,000)
Total other financing sources (uses)	<u>8,000</u>	<u>(23,000)</u>			<u>(15,000)</u>
Net changes in fund balances	350,106	(39,780)	(3,543)		306,783
FUND BALANCE, JULY 1, 2014	<u>2,208,398</u>	<u>80,644</u>	<u>7,925</u>		<u>2,296,967</u>
FUND BALANCE, JUNE 30, 2015	<u>\$ 2,558,504</u>	<u>\$ 40,864</u>	<u>\$ 4,382</u>	<u>\$</u>	<u>\$ 2,603,750</u>

MARION TOWNSHIP

**ALL SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Cemetery Fund</u>	<u>Water System Assessment Fund</u>	<u>Assessment Revolving Project Fund</u>	<u>Totals</u>
REVENUES				
Special assessments	\$	\$ 153,416	\$ 65,516	\$ 218,932
Service charges	5,125			5,125
Interest income - special assessments		24,887	1,515	26,402
Interest income - investments		643		643
Total revenues	<u>5,125</u>	<u>178,946</u>	<u>67,031</u>	<u>251,102</u>
EXPENDITURES				
Construction and maintenance	5,716		42,857	48,573
Debt service		325,079		325,079
Agent fees		631		631
Other		2,137	600	2,737
Total expenditures	<u>5,716</u>	<u>327,847</u>	<u>43,457</u>	<u>377,020</u>
Excess of revenues over (under) expenditures	(591)	(148,901)	23,574	(125,918)
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000			15,000
Net change in fund balances	14,409	(148,901)	23,574	(110,918)
FUND BALANCE, JULY 1, 2014	<u>5,687</u>	<u>593,232</u>	<u>153,247</u>	<u>752,166</u>
FUND BALANCE, JUNE 30, 2015	<u>\$ 20,096</u>	<u>\$ 444,331</u>	<u>\$ 176,821</u>	<u>\$ 641,248</u>

MARION TOWNSHIP

**ALL NON-MAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Cemetery Fund</u>	<u>Assessment Revolving Project Fund</u>	<u>Totals</u>
REVENUES			
Special assessments	\$	\$ 65,516	\$ 65,516
Special assessment - interest		1,515	1,515
Service charges	5,125		5,125
Total revenues	<u>5,125</u>	<u>67,031</u>	<u>72,156</u>
EXPENDITURES			
Construction and maintenance	5,716	42,857	48,573
Other		600	600
Total expenditures	<u>5,716</u>	<u>43,457</u>	<u>49,173</u>
Excess of revenues over (under) expenditures	(591)	23,574	22,983
OTHER FINANCING SOURCES (USES)			
Transfers in	15,000		15,000
Net change in fund balances	14,409	23,574	37,983
FUND BALANCE, JULY 1, 2014	<u>5,687</u>	<u>153,247</u>	<u>158,934</u>
FUND BALANCE, JUNE 30, 2015	<u>\$ 20,096</u>	<u>\$ 176,821</u>	<u>\$ 196,917</u>

INDIVIDUAL FUNDS

GENERAL FUND (PRE GASB 54 RESTATEMENT)

MARION TOWNSHIP

GENERAL FUND (PRE GASB 54 RESTATEMENT)
BALANCE SHEET
JUNE 30, 2015

ASSETS

Cash and investments		\$ 2,307,993
Accounts receivable - state		262,176
Accounts receivable - other		7,687
Due from other funds		43,722
Prepaid expenses		<u>33,882</u>
Total assets		<u><u>\$ 2,655,460</u></u>

LIABILITIES

Accounts payable	\$ 13,901	
Accrued wages and salaries	37,320	
Accrued pension	1,330	
Due to other funds	<u>44,405</u>	
Total liabilities		\$ 96,956
FUND BALANCE		<u>2,558,504</u>
Total liabilities and fund balance		<u><u>\$ 2,655,460</u></u>

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

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, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 317,500	\$ 318,337	\$ 837
Licenses and permits	135,850	138,279	2,429
State shared revenues	785,000	797,693	12,693
Charges for services	112,000	112,592	592
Other revenues	74,041	111,461	37,420
Total revenues	1,424,391	1,478,362	53,971
EXPENDITURES	1,426,325	1,136,256	290,069
Net revenues over (under) expenditures	(1,934)	342,106	344,040
OTHER FINANCING SOURCES (USES)			
Transfers in	45,000	45,000	
Transfers out	(63,000)	(37,000)	26,000
Total other financing sources (uses)	(18,000)	8,000	26,000
Net change in fund balance	(19,934)	350,106	370,040
FUND BALANCE, JULY 1, 2014	2,208,398	2,208,398	
FUND BALANCE, JUNE 30, 2015	\$ 2,188,464	\$ 2,558,504	\$ 370,040

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, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
PROPERTY TAXES	\$ 317,500	\$ 318,337	\$ 837
LICENSES AND PERMITS			
Licenses, fees, permits	15,850	18,173	2,323
Cable franchise fees	120,000	120,106	106
Total licenses and permits	135,850	138,279	2,429
STATE SHARED REVENUES	785,000	797,693	12,693
CHARGES FOR SERVICES			
Tax collection administration	112,000	112,592	592
OTHER REVENUES			
Printing and publications		91	91
Interest income	700	2,511	1,811
Video franchise fees	23,000	23,162	162
Cell tower lease	34,840	34,845	5
Rental income	3,001	3,600	599
Miscellaneous	1,500	36,368	34,868
Metro act	11,000	10,884	(116)
Total other revenues	74,041	111,461	37,420
Total revenues	\$ 1,424,391	\$ 1,478,362	\$ 53,971

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, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
PAYROLL TAXES AND BENEFITS			
Payroll taxes	\$ 29,000	\$ 28,766	\$ 234
Unemployment taxes	2,000		2,000
Health insurance	183,000	178,366	4,634
Payroll processing	4,000	3,680	320
	218,000	210,812	7,188
TOWNSHIP BOARD			
Salaries	33,000	32,156	844
Meetings and seminars	1,500	1,185	315
Mileage	250	173	77
Printing and publications	1,250	1,455	(205)
Membership dues	5,800	5,345	455
Miscellaneous	250		250
	42,050	40,314	1,736
SUPERVISOR			
Salary	35,641	35,688	(47)
Supplies	250		250
Mileage	250		250
Meetings and seminars	1,350	1,302	48
Miscellaneous	100		100
	37,591	36,990	601
PUBLIC WORKS			
	6,150	5,000	1,150
ELECTIONS			
Salaries	17,000	16,691	309
Supplies	2,000	1,615	385
Equipment	1,000	732	268
Printing and publications	1,000	284	716
Postage	1,200	650	550
Mileage	200	15	185
Miscellaneous	4,900	4,126	774
	27,300	24,113	3,187

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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
LITIGATION	<u>2,000</u>		<u>2,000</u>
PROFESSIONAL FEES			
Financial services	9,500	9,326	174
Software support	13,000	11,735	1,265
Economic development	9,000	8,200	800
Engineering	3,000	2,818	182
Legal	<u>1,200</u>	<u>914</u>	<u>286</u>
Total professional fees	<u>35,700</u>	<u>32,993</u>	<u>2,707</u>
ASSESSOR			
Salaries	84,000	84,351	(351)
Professional fees	1,000		1,000
Dues and memberships	850	540	310
Training and seminars	200	172	28
Supplies	1,000	748	252
Mileage	600	626	(26)
Software	500	340	160
Miscellaneous	50	70	(20)
Postage	<u>3,500</u>	<u>3,454</u>	<u>46</u>
Total assessor	<u>91,700</u>	<u>90,301</u>	<u>1,399</u>
LEGAL	<u>10,700</u>	<u>10,076</u>	<u>624</u>
CLERK			
Salary	35,641	35,688	(47)
Salary - other	22,150	23,156	(1,006)
Dues and subscriptions	350	495	(145)
Mileage	500	484	16
Training and seminars	1,000	888	112
Supplies	500	416	84
Miscellaneous	<u>50</u>	<u>36</u>	<u>14</u>
Total clerk	<u>60,191</u>	<u>61,163</u>	<u>(972)</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
TAX ROLL			
Tax roll prep	1,500	2,932	(1,432)
Postage	6,000	4,461	1,539
Total tax roll	<u>7,500</u>	<u>7,393</u>	<u>107</u>
BOARD OF REVIEW			
Salaries	2,000	1,944	56
Supplies and publications	1,000	750	250
Training and seminars	200	94	106
Total board of review	<u>3,200</u>	<u>2,788</u>	<u>412</u>
TREASURER			
Salary	35,641	35,688	(47)
Salary - other	36,000	36,318	(318)
Supplies	500	491	9
Collection fees	200		200
Dues and publications	650	611	39
Legal	200		200
Mileage	1,800	1,697	103
Miscellaneous	500	472	28
Training	2,000	1,809	191
Total treasurer	<u>77,491</u>	<u>77,086</u>	<u>405</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
UNALLOCATED			
Salaries - secretary	48,500	40,399	8,101
Custodial	3,000	2,550	450
Trash removal	8,250	5,962	2,288
Supplies	5,000	4,441	559
Equipment - maintenance	5,750	5,667	83
Postage	5,000	4,518	482
Grounds maintenance	12,750	12,434	316
Buildings maintenance	2,000	1,278	722
Telephone	7,500	7,238	262
Utilities	8,500	7,495	1,005
Internet	1,500	1,198	302
Major repairs	6,000	7,015	(1,015)
Miscellaneous	2,100	2,298	(198)
	<u>115,850</u>	<u>102,493</u>	<u>13,357</u>
Total unallocated			
	<u>6,000</u>	<u>6,000</u>	<u></u>
CEMETERY			
	<u>6,000</u>	<u>6,000</u>	<u></u>
ZONING ADMINISTRATOR			
Salary	47,500	35,181	12,319
Miscellaneous	200	100	100
Mileage	900	888	12
Supplies	250	47	203
Legal fees	250		250
Professional fees	250		250
Training	100	79	21
	<u>49,450</u>	<u>36,295</u>	<u>13,155</u>
Total zoning administrator			

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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
PLANNING COMMISSION			
Salaries	4,500	4,637	(137)
Supplies	100	30	70
Legal fees	750	438	312
Miscellaneous	100	48	52
Professional fees	3,700	2,408	1,292
Printing and publications	1,700	1,174	526
Recording secretary	1,500	1,508	(8)
Training and seminars	350	285	65
Total planning commission	<u>12,700</u>	<u>10,528</u>	<u>2,172</u>
ZONING BOARD OF APPEALS			
Salaries	2,000	1,560	440
Supplies	50		50
Training and seminars	500	420	80
Legal fees	1,000	944	56
Miscellaneous	100		100
Professional fees	350	197	153
Printing and publications	1,000	937	63
Recording secretary	500	405	95
Total zoning board of appeals	<u>5,500</u>	<u>4,463</u>	<u>1,037</u>
DRAINS	<u>11,000</u>	<u>10,820</u>	<u>180</u>
ROADS			
Dust control	45,000	41,041	3,959
Maintenance	275,000	40,262	234,738
Total roads	<u>320,000</u>	<u>81,303</u>	<u>238,697</u>
RECREATION			
HAPRA contract	102,500	102,445	55
HERITAGE DAYS		411	(411)

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, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
BONDS AND INSURANCE			
Insurance/bonds	35,000	34,012	988
Retirement	14,250	14,806	(556)
Administration fees	5,500	4,094	1,406
Total bonds and insurance	54,750	52,912	1,838
BUILDING IMPROVEMENT			
Capital outlay - equipment	37,500	39,865	(2,365)
EQUIPMENT	2,000	190	1,810
LAND ACQUISITION	89,502	89,502	
Total expenditures	\$ 1,426,325	\$ 1,136,256	\$ 290,069

PROPRIETARY SEWER FUND

MARION TOWNSHIP

**PROPRIETARY SEWER FUND
STATEMENT OF REVENUES AND EXPENSES FOR OPERATIONS ONLY
FOR THE YEARS ENDED JUNE 30, 2006 - 2015**

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>6/30/2008</u>	<u>6/30/2007</u>	<u>6/30/2006</u>
REVENUE										
User charges -										
Quarterly charges for usage	\$ 254,001	\$ 239,446	\$ 220,408	\$ 212,747	\$ 202,607	\$ 173,243	\$ 190,260	\$ 196,837	\$ 155,289	\$ 150,605
EXPENSES										
Contract labor	45,275	39,527	47,460	38,040	38,177	45,984	51,565	37,908	36,824	38,704
Sewer usage fee	151,343	137,972	114,199	92,450	87,507	85,001	131,523	93,033	76,836	79,656
Utilities	8,164	10,237	9,896	8,890	9,041	9,263	7,838	7,558	6,813	7,131
Telephone	7,485	5,988	5,075	4,391	3,656	3,420	3,195	2,978	3,055	2,873
Administrative fees -										
Reimbursement to gen fund	5,000	4,000	4,000	2,202	2,202	2,485	2,557	3,403		
									4,656	6,281
Billing administrative (Genoa Twp.)	18,055	16,915	15,560	15,003	14,615	14,272	14,072	13,713	17,551	16,360
Professional fees	7,531	17,218	9,290	16,772	14,067	25,969	30,662	36,037	59,383	25,628
Repairs and maintenance	1,658	13,840	4,872	1,528	6,663	48,366	6,721	1,591	1,246	2,676
Miscellaneous	440						650	1,513		
Total expenses	<u>244,951</u>	<u>245,697</u>	<u>210,352</u>	<u>179,276</u>	<u>175,928</u>	<u>234,760</u>	<u>248,783</u>	<u>197,734</u>	<u>206,364</u>	<u>179,309</u>
Net operating income (loss)	<u>\$ 9,050</u>	<u>\$ (6,251)</u>	<u>\$ 10,056</u>	<u>\$ 33,471</u>	<u>\$ 26,679</u>	<u>\$ (61,517)</u>	<u>\$ (58,523)</u>	<u>\$ (897)</u>	<u>\$ (51,075)</u>	<u>\$ (28,704)</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.



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

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November 13, 2015

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, 2015, 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 individuals responsible for maintaining the general ledger, writing and posting checks and signing checks (ability to make disbursements). We consider this a lack of segregating duties.

RESPONSE BY MANAGEMENT

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

OTHER MATTERS

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

1. **Cash Receipting**

The Township is manually processing cash receipts (handwritten receipts). We have discussed with the treasurer options available to automate the receipting process. We suggest the Township consider acquiring a software package specifically used for cash receipting which could interface with the tax collection and special assessment programs.

2. **Insurance Reimbursement By Staff**

The Township approved a change in policy requiring staff to reimburse the Township 10% of health insurance premiums from 20%. This change in policy was not included as an update to the employee handbook. The handbook should be updated.

3. **Telephone Expense Increase - Sewer System**

We noted while analyzing telephone expense for the various locations (pump stations) there was an overall increase of approximately 25%. We also noted taxes being charged which should not be charged because of the Township's exempt status. The reason for the increase was not understood and an inquiry should be made as to the reason.

4. **Two Signatures on Checks Requirement**

The Township's policy requires two signatures on all checks. As part of our disbursement review we noted several checks with only one signature and one check with no signatures. Additional procedures should be considered to insure the Township policy is followed.

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