

# **MARION TOWNSHIP**

---

**Report on Audit of Financial Statements**

**For the Year Ended June 30, 2018**

**MARION TOWNSHIP**

**TOWNSHIP OFFICIALS**

Supervisor - Robert Harvey  
Clerk - Tammy Beal  
Treasurer - Duane Stokes

**BOARD OF TRUSTEES**

Robert Harvey  
Tammy Beal  
Duane Stokes  
Gregory Durbin  
Daniel Lowe  
Scott Lloyd  
Les Andersen

**TOWNSHIP ATTORNEYS**

Michael J. Kehoe, P.C.

**TOWNSHIP AUDITORS**

Pfeffer, Hanniford & Palka  
Certified Public Accountants

## TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	
<b>MANAGEMENT DISCUSSION AND ANALYSIS</b>	7
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENTAL-WIDE FINANCIAL STATEMENTS</b>	
Statement of Net Position	15
Statement of Activities	16
<b>FUND FINANCIAL STATEMENTS</b>	
Balance Sheet - Governmental Funds	18
Reconciliation of Fund Balances of Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Position - Proprietary - Sewer Fund	22
Statement of Revenues, Expenses and Changes in Net Position - Proprietary - Sewer Fund	23
Statement of Cash Flows - Proprietary - Sewer Fund	24
Statement of Assets and Liabilities - Fiduciary Funds	25
<b>NOTES TO FINANCIAL STATEMENTS</b>	27
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>GENERAL FUND</b>	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	42
<b>ASSESSMENT REVOLVING PROJECT FUND</b>	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	43
<b><u>SUPPLEMENTAL INFORMATION</u></b>	
<b>COMBINING FINANCIAL STATEMENTS</b>	
All Funds Included in GASB 54 General Fund Consolidation - Combining Balance Sheet	46
All Funds Included in GASB 54 General Fund Consolidation - Combining Statement of Revenues, Expenditures and Changes in Fund Balances	47
<b>GENERAL FUND (PRE GASB 54 RESTATEMENT)</b>	
Balance Sheet	50
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	51
Statement of Revenues - Budget and Actual	52
Statement of Expenditures - Budget and Actual	53
<b>PROPRIETARY SEWER FUND</b>	
Statement of Revenues and Expenses for Operations Only	60

## INDEPENDENT AUDITORS' REPORT

November 2, 2018

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

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, 2018, 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, 2018, 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 7 - 12 and 42 - 43 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 combining and individual fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

PFEFFER, HANNIFORD & PALKA

Certified Public Accountants

Brighton, MI

## **MANAGEMENT DISCUSSION AND ANALYSIS**

## Management Discussion and Analysis June 30, 2018

---

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, 2018. 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, deferred outflows of resources, deferred inflows of resources, 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 \$32,521,692 a decrease of \$1,209,611 over last year's net position of \$33,731,303.



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, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<b>ASSETS</b>						
Current and other assets	\$ 14,779,755	\$ 14,830,802	\$ 4,266,454	\$ 4,230,492	\$ 19,046,209	\$ 19,061,294
Capital assets	1,055,392	1,123,355	12,943,762	13,700,288	13,999,154	14,823,643
<b>Total assets</b>	<u>15,835,147</u>	<u>15,954,157</u>	<u>17,210,216</u>	<u>17,930,780</u>	<u>33,045,363</u>	<u>33,884,937</u>
<b>LIABILITIES</b>						
Other liabilities	<u>477,181</u>	<u>92,499</u>	<u>46,490</u>	<u>61,135</u>	<u>523,671</u>	<u>153,634</u>
<b>NET POSITION</b>						
Invested in capital assets	1,055,392	1,123,355	12,943,762	13,700,288	13,999,154	14,823,643
Restricted	476,328	654,136			476,328	654,136
Unrestricted	<u>13,826,246</u>	<u>14,084,167</u>	<u>4,219,964</u>	<u>4,169,357</u>	<u>18,046,210</u>	<u>18,253,524</u>
<b>Total net position</b>	<u>\$ 15,357,966</u>	<u>\$ 15,861,658</u>	<u>\$ 17,163,726</u>	<u>\$ 17,869,645</u>	<u>\$ 32,521,692</u>	<u>\$ 33,731,303</u>

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

	Governmental Activities		Business-type Activities		Total	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<b>REVENUES</b>						
<b>Program revenues:</b>						
Charges for services	\$ 166,742	\$ 299,126	\$ 288,829	\$ 288,605	\$ 455,571	\$ 587,731
Operating grants and contributions			29,995	43,527	29,995	43,527
Capital contributions	49,572	7,219	123,250	33,750	172,822	40,969
<b>General revenues:</b>						
State revenues	907,865	855,674			907,865	855,674
Property taxes	475,468	460,028			475,468	460,028
Interest income	84,085	83,583	48,420	84,462		168,045
Other	7,490	19,273	9,927	842	17,417	20,115
Rental income	60,135	59,322			60,135	59,322
Gain (loss) on sale of capital assets	(62,975)		(205,386)		(268,361)	
Change in equity of joint ventures	86,709	60,153			86,709	60,153
<b>Total revenues</b>	<u>1,775,091</u>	<u>1,844,378</u>	<u>295,035</u>	<u>451,186</u>	<u>1,937,621</u>	<u>2,295,564</u>
<b>EXPENSES</b>						
General government	1,014,525	902,285			1,014,525	902,285
Parks and recreation	107,391	122,300			107,391	122,300
Public works	1,156,867	444,658			1,156,867	444,658
Sewer system			1,000,954	1,172,747	1,000,954	1,172,747
<b>Total expenses</b>	<u>2,278,783</u>	<u>1,469,243</u>	<u>1,000,954</u>	<u>1,172,747</u>	<u>3,279,737</u>	<u>2,641,990</u>
<b>Change in net position</b>	(503,692)	375,135	(705,919)	(721,561)	(1,209,611)	(346,426)
<b>BEGINNING NET POSITION</b>	<u>15,861,658</u>	<u>15,486,523</u>	<u>17,869,645</u>	<u>18,591,206</u>	<u>33,731,303</u>	<u>34,077,729</u>
<b>ENDING NET POSITION</b>	<u>\$ 15,357,966</u>	<u>\$ 15,861,658</u>	<u>\$ 17,163,726</u>	<u>\$ 17,869,645</u>	<u>\$ 32,521,692</u>	<u>\$ 33,731,303</u>

The governmental activity net position decreased by \$503,692 , mostly due to a decrease in revenues related to the disposal of assets and increased road maintenance expenditures.

The business-type activity expenditures exceeded revenues for a net loss of \$705,919 for the year ended June 30, 2018. This is primarily due to depreciation expense, which is an estimate based on management’s calculation of estimated useful lives for infrastructure.

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

The Township had four major funds for the year ended June 30, 2018. Three of the four major funds were governmental funds which included: the General Fund, the Assessment Revolving Project Fund, and the Water New User Fund. The sole business-type fund was the Sewer Fund.

The General Fund had expenditures exceeding revenues, for a net decrease in fund balance totaling \$469,719, primarily due to an increase in public works road expenditures.

The Assessment Revolving Project Fund had expenditures exceeding revenues for a decrease in fund balance of \$30,881 . This fund accounts for the collection of special assessments and expenditures for various construction and maintenance projects.

The Water New User Fund had an increase in fund balance of \$80,839. This fund accounts for the collection of connection fees and special assessments related to 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 decrease in its equity of \$705,919 , as explained above.

### **Budgetary Highlights**

The Township adopted its General Fund, Assessment Revolving Project Fund and Water New User Fund budgets prior to beginning operations for the year ended June 30, 2018. The budgets were amended during the fiscal year to bring it 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 \$42,480 in capital assets relating to voting equipment. The Township paid \$5,310 toward the capital assets, with the remaining \$37,170 worth of equipment provided by State of Michigan grants.

The business-type activities acquired \$120,000 in infrastructure contributed by developers.

The Township previously recorded special assessment costs on Township own land as acquisition costs of those assets, for both Governmental and Business-type Activities. The Township elected to remove these costs from the value of the land, as the special assessment balances are likely to remain if the Township sells the land.

The Township has no outstanding debt as of June 30, 2018.

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

The Township continues to conduct several place-making events during the year. Events included a Halloween "Trunk or Treat," Annual Buck Pole contest, and several community sales. The Township received many compliments on these events.

The Township has noticed an improvement in commercial and residential land development, which will lead to an increase in property tax values and subsequent property tax revenues in future years. Completion dates for the proposed developments are not available at this time. Management is committed to various road repair projects in the next few years.

### **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**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**MARION TOWNSHIP**

**STATEMENT OF NET POSITION  
JUNE 30, 2018**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
<b>ASSETS</b>			
Cash and investments	\$ 2,750,235	\$ 3,766,328	\$ 6,516,563
<b>Receivables:</b>			
Due from other governments	283,796		283,796
Accounts	15,828	199,585	215,413
Special assessments, net	211,242	299,049	510,291
Interest receivable	2,928	1,492	4,420
Prepaid expenses	45,151		45,151
Investment in joint ventures	11,470,575		11,470,575
Capital assets			
Land	369,285	653,877	1,023,162
Other capital assets, net of depreciation	686,107	12,289,885	12,975,992
<b>Total assets</b>	15,835,147	17,210,216	33,045,363
<b><u>LIABILITIES</u></b>			
<b>LIABILITIES</b>			
Accounts payable	429,433	46,490	475,923
Accrued liabilities	45,764		45,764
Unearned revenue	1,984		1,984
<b>Total liabilities</b>	477,181	46,490	523,671
<b><u>NET POSITION</u></b>			
<b>NET POSITION</b>			
Invested in capital assets	1,055,392	12,943,762	13,999,154
Restricted for:			
Road construction and maintenance	110,261		110,261
Capital projects	366,067		366,067
Unrestricted	13,826,246	4,219,964	18,046,210
<b>Total net position</b>	\$ 15,357,966	\$ 17,163,726	\$ 32,521,692

The notes are an integral part of the financial statements.

MARION TOWNSHIP

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expenses) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
<b>GOVERNMENTAL ACTIVITIES</b>						
General government	\$ (1,014,525)	\$ 153,851	\$	\$	\$ (860,674)	\$ (860,674)
Parks and recreation/ community development	(107,391)				(107,391)	(107,391)
Public works	(1,156,867)	12,891		49,572	(1,094,404)	(1,094,404)
<b>Total governmental activities</b>	<u>(2,278,783)</u>	<u>166,742</u>		<u>49,572</u>	<u>(2,062,469)</u>	<u>(2,062,469)</u>
<b>BUSINESS-TYPE ACTIVITY</b>						
Sewer system	(1,000,954)	288,829	29,995	123,250		(558,880)
<b>Total</b>	<u>\$ (3,279,737)</u>	<u>\$ 455,571</u>	<u>\$ 29,995</u>	<u>\$ 172,822</u>	<u>(2,062,469)</u>	<u>(558,880)</u>
		General revenues				
		Property taxes			475,468	475,468
		State revenues			907,865	907,865
		Interest income - special assessments			77,958	40,755
		Interest income - cash and investments			6,127	7,665
		Rental income			60,135	60,135
		Gain (loss) on disposal of assets			(62,975)	(205,386)
		Other income			7,490	9,927
		<b>Total general revenues</b>			<u>1,472,068</u>	<u>(147,039)</u>
		Other Items				
		Change in equity of joint ventures			86,709	86,709
		<b>Changes in net position</b>			<u>(503,692)</u>	<u>(705,919)</u>
		<b>Net position, July 1, 2017</b>			<u>15,861,658</u>	<u>17,869,645</u>
		<b>Net position, June 30, 2018</b>			<u>\$ 15,357,966</u>	<u>\$ 17,163,726</u>

The notes are an integral part of the financial statements.



**FUND FINANCIAL STATEMENTS**

**MARION TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<u>Major Funds</u>			<u>Nonmajor Fund</u>	
	<u>General Fund</u>	<u>Assessment Revolving Project Fund</u>	<u>Water New User Fund</u>	<u>Cemetery Fund</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and investments	\$ 2,257,524	\$ 115,169	\$ 366,067	\$ 11,475	\$ 2,750,235
Receivables					
Accounts receivable - other	1,058				1,058
Special assessments, net		144,964	66,278		211,242
Due from other governments	283,796				283,796
Due from other funds	14,770				14,770
Other	2,928				2,928
Prepaid expenditures	45,151				45,151
<b>Total assets</b>	<u>\$ 2,605,227</u>	<u>\$ 260,133</u>	<u>\$ 432,345</u>	<u>\$ 11,475</u>	<u>\$ 3,309,180</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 424,525	\$ 4,908			\$ 429,433
Accrued expenditures	42,521				42,521
Unearned revenue	1,984				1,984
<b>Total liabilities</b>	<u>469,030</u>	<u>4,908</u>			<u>473,938</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue		144,964	66,278		211,242
<b>FUND BALANCES</b>					
<b>Non-spendable:</b>					
Prepaid expenditures	45,151				45,151
<b>Restricted for:</b>					
Private roads		110,261			110,261
Capital projects			366,067		366,067
<b>Committed to:</b>					
Cemetery				1,975	1,975
Capital improvement	5,089				5,089
<b>Assigned to future budget deficits</b>				9,500	9,500
<b>Unassigned</b>	<u>2,085,957</u>				<u>2,085,957</u>
<b>Total fund balances</b>	<u>2,136,197</u>	<u>110,261</u>	<u>366,067</u>	<u>11,475</u>	<u>2,624,000</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 2,605,227</u>	<u>\$ 260,133</u>	<u>\$ 432,345</u>	<u>\$ 11,475</u>	<u>\$ 3,309,180</u>

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, 2018

<b>Total fund balance per balance sheet</b>		\$ 2,624,000
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Historical cost	\$ 1,805,400	
Depreciation	<u>(750,008)</u>	
<b>Capital assets net of depreciation</b>		1,055,392
Equity interests in joint ventures are not financial resources and therefore not reported in the funds		
Equity in joint ventures		11,470,575
Accrued sick and vacation is not included as a liability in the governmental funds		
		(3,243)
Unavailable revenues on special assessments are recognized as revenue in the government-wide statements when originally assessed.		
Unavailable income		<u>211,242</u>
<b>Net position of governmental activities</b>		<u><u>\$ 15,357,966</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, 2018**

	<u>Major Funds</u>			<u>Nonmajor Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>Assessment Revolving Project Fund</u>	<u>Water New User Fund</u>	<u>Cemetery Fund</u>	
<b>REVENUES</b>					
Taxes	\$ 475,468	\$	\$	\$	\$ 475,468
Special assessment - principal		110,791	79,986		190,777
Special assessment - interest		1,004	14,574		15,578
State revenues	870,695				870,695
Licenses and permits	173,497				173,497
Charges for services			16,888	7,721	24,609
Interest and rents	46,616				46,616
Miscellaneous	6,416		1,074		7,490
<b>Total revenues</b>	<u>1,572,692</u>	<u>111,795</u>	<u>112,522</u>	<u>7,721</u>	<u>1,804,730</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
General government	960,449				960,449
Parks and recreation	107,391				107,391
Public works	969,261	142,676	31,683	8,972	1,152,592
<b>Capital outlay</b>					
General government	5,310				5,310
<b>Total expenditures</b>	<u>2,042,411</u>	<u>142,676</u>	<u>31,683</u>	<u>8,972</u>	<u>2,225,742</u>
<b>Net changes in fund balances</b>	(469,719)	(30,881)	80,839	(1,251)	(421,012)
<b>FUND BALANCE, JULY 1, 2017</b>	<u>2,605,916</u>	<u>141,142</u>	<u>285,228</u>	<u>12,726</u>	<u>3,045,012</u>
<b>FUND BALANCE, JUNE 30, 2018</b>	<u>\$ 2,136,197</u>	<u>\$ 110,261</u>	<u>\$ 366,067</u>	<u>\$ 11,475</u>	<u>\$ 2,624,000</u>

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, 2018**

**Net change in fund balances - governmental funds** \$ (421,012)

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

Governmental funds report capital outlay as expenditures.

However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which depreciation exceeded capital outlay is as follows:

Capital assets purchased	\$	5,310	
Capital assets acquired through grants		37,170	
Disposal of assets		(62,975)	
Depreciation expense		<u>(47,468)</u>	
<b>Net effect of capital assets</b>			(67,963)

Principal received on special assessments are income as they are levied annually for governmental funds, but they are income when they are established for the Statement of Activities.

Principal collected on assessments		(128,397)	
Reinstatement of write offs		22,184	
Adjustments to assessments		<u>5,170</u>	
<b>Net effect of assessments</b>			(101,043)

Accrued sick and vacation is not included as an expenditure in the governmental funds. (383)

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. 86,709

**Change in net position of governmental activities** \$ (503,692)

MARION TOWNSHIP

STATEMENT OF NET POSITION  
PROPRIETARY - SEWER FUND  
JUNE 30, 2018

**CURRENT ASSETS**

Cash and cash equivalents	\$ 3,071,540
Investments	694,788
Special assessments receivable	299,049
Accounts receivable - usage	104,726
Grants receivable	94,859
Interest receivable	1,492

**Total current assets** \$ 4,266,454

**PROPERTY, PLANT AND EQUIPMENT**

Sewer collection system	14,223,471
Sewer plant	9,795,116
Computers, equipment, software	134,102
Land	653,877
	<u>24,806,566</u>
Less: accumulated depreciation	<u>(11,862,804)</u>

**Net property, plant and equipment** 12,943,762

**Total assets** \$ 17,210,216

**CURRENT LIABILITIES**

Accounts payable	\$ 46,490
------------------	-----------

**NET POSITION**

Invested in capital assets net of related debt	\$ 12,943,762
Unrestricted	<u>4,219,964</u>

**Total net position** 17,163,726

**Total liabilities and net position** \$ 17,210,216

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, 2018**

**OPERATING REVENUES**

User charges		\$ 298,756
--------------	--	------------

**OPERATING EXPENSES**

Contract labor	\$ 32,098	
Sewer usage fee	197,379	
Depreciation expense	671,140	
Utilities	10,436	
Telephone	10,044	
Professional fees	35,632	
Administrative fees - billing administration Genoa Township	20,229	
Refunds	1,494	
Repairs and maintenance	674	

<b>Total operating expenses</b>		<u>979,126</u>
---------------------------------	--	----------------

<b>Operating (loss)</b>		(680,370)
-------------------------	--	-----------

**NON-OPERATING REVENUES AND (EXPENSES)**

Interest income - assessments	40,755	
Interest income - cash and investments	7,665	
Grant income	29,995	
Grant expenditures	(33,328)	
(Loss) on disposal of assets	(205,386)	
Uncollectable assessments	11,500	

<b>Total net non-operating revenues (expenses)</b>		(148,799)
--	--	-----------

**CAPITAL CONTRIBUTIONS**

Connection fees - new users	3,250	
Contributed infrastructure	120,000	

<b>Total capital contributions</b>		<u>123,250</u>
------------------------------------	--	----------------

<b>(Decrease) in net position</b>		(705,919)
-----------------------------------	--	-----------

<b>NET POSITION, JULY 1, 2017</b>		<u>17,869,645</u>
-----------------------------------	--	-------------------

<b>NET POSITION, JUNE 30, 2018</b>		<u><u>\$ 17,163,726</u></u>
------------------------------------	--	-----------------------------

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, 2018**

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

Cash receipts from customer usage	\$ 265,517	
Cash disbursements to vendors	(322,631)	
<b>Net cash (used in) operating activities</b>		<b>\$ (57,114)</b>

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

Special assessment collections - principal and interest	368,977	
Connection fees received	3,250	
Grant revenues	29,995	
Grant expenditures	(33,328)	
<b>Net cash flows from capital and related financing activities</b>		<b>368,894</b>

		311,780
--	--	---------

<b>BALANCE, JULY 1, 2017</b>		<u>2,759,760</u>
------------------------------	--	------------------

<b>BALANCE, JUNE 30, 2018</b>		<u><u>\$ 3,071,540</u></u>
-------------------------------	--	----------------------------

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

Operating (loss)		\$ (680,370)
<b>Adjustments to reconcile operating (loss) to net cash (used in) operating activities:</b>		
Depreciation expense		671,140
Change in assets and liabilities:		
Receivables, net		(33,239)
Accounts and other payables		(14,645)
<b>Net cash (used in) operating activities</b>		<b><u><u>\$ (57,114)</u></u></b>

The notes are an integral part of the financial statements.



**MARION TOWNSHIP**

**STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2018**

	Agency Funds			
	Flexible Medical Savings Fund	Escrow Fund	Current Tax Fund	Total
<b>ASSETS</b>				
Cash and investments	\$ 15,282	\$ 82,126	\$ 122	\$ 97,530
 <b>LIABILITIES</b>				
Due to others	\$ 512	\$ 82,126	\$ 122	\$ 82,760
Due to other funds	14,770			14,770
<b>Total liabilities</b>	\$ 15,282	\$ 82,126	\$ 122	\$ 97,530

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, 2018

#### **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) 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). The Township does not have any activities included in its financial statements related to component units.

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, 2018**

**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, a part of the basic financial statements are the 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, 2018**

**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 Assessment Revolving Project Fund accounts for the activities associated with the collection of special assessments for the funding of various construction and maintenance projects.

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 improvement and replacement 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.

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

**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

The proprietary fund, also known as an enterprise 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 enterprise 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.

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.

**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

**D. BUDGETS AND BUDGETARY ACCOUNTING**

1. A fiscal year budget for the General Fund and Assessment Revolving Project Fund were adopted by the Township Board in June of 2017. The budget includes proposed expenditures and means of financing them.
2. A public hearing was conducted to obtain taxpayers comments.
3. The budget for the General Fund and all special revenue funds should be 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.

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 governmental activities are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

**F. PROPERTY TAXES**

The Township's property taxes are levied and become a lien on December 1st based on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 14th, with the final collection date of February 28th before they are added to the county delinquent tax rolls.

The Township levied .7962 mills on a taxable value of \$439,482,923. For the year ended June 30, 2018, the Township recognized the property taxes levied December 1, 2017 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, deposits and short-term investments with a maturity date of three months or less when acquired are considered to be cash and cash equivalents.

**I. USE OF ESTIMATES**

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

**J. RISK MANAGEMENT**

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

**K. RECEIVABLES**

When necessary the Township utilizes an allowance for uncollectable accounts to value its receivables. With the exception of special assessment receivables discussed in Note 4, as of the Statement of Net Position date, the Township considers all of its current receivables to be collectable.



**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

**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.

**M. DEFERRED OUTFLOW 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 qualify for reporting in this category.

**N. DEFERRED INFLOW 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, 2018**

**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, 2018, the carrying value of deposits in banks totaled \$6,719,827 which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 1,900,267
Uninsured and collateralized by securities held by pledging financial institutions	4,819,560
Uninsured and uncollateralized	
<b>Total deposits in banks</b>	<b><u>\$ 6,719,827</u></b>

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

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

As of June 30, 2018, the Township's investments were exposed to custodial credit risk as follows:

Non-negotiable CD's	<u>\$ 1,162,539</u>
Insured by FDIC and collateralized	<u>\$ 1,162,539</u>

**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 2 - DEPOSITS AND INVESTMENTS - continued**

**Credit Risk**

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

As of June 30, 2018, the Township's investments were rated as follows:

<u>Investment Type</u>	<u>Standard &amp; Poors</u>	<u>Amount</u>
Non-negotiable CD's	Unrated	\$ 1,162,539

The Township's investment policy addresses credit risk and investments held at June 30, 2018, comply with the policy and statutory authority.

As of June 30, 2018, cash and investments consisted of the following:

	<u>Total</u>	<u>Cash</u>	<u>Investments</u>
Checking accounts	\$ 4,951,083	\$ 4,951,083	\$
Money market and savings accounts	368,478	368,478	
Non-negotiable CDs	1,400,266	237,727	1,162,539
<b>Total</b>	<u>\$ 6,719,827</u>	<u>\$ 5,557,288</u>	<u>\$ 1,162,539</u>

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

Statement of Net Position

Cash and investments	\$ 2,384,168
Cash and investments - restricted	4,132,395
<b>Total</b>	<u>6,516,563</u>

Fiduciary Funds

Cash and investments	97,530
<b>Total cash and investments</b>	<u>\$ 6,614,093</u>

Differences in the above reconciliation and actual amounts consist of petty cash and outstanding items that had not cleared the bank as of June 30, 2018.

**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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, 2018, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>June 30, 2018 Balance</u>	<u>Description</u>
General Fund	Flexible Medical Savings Fund	\$ 14,770	Reimbursement of forfeitures

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 did not have any transfers between funds for the year ended June 30, 2018.

**NOTE 4 - 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>Assessment Revolving Project Fund</u>	<u>Water New User Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Gross special assessments receivable	\$ 144,964	\$ 110,646	\$ 324,894	\$ 580,504
Less: allowance for uncollectable assessments		(44,368)	(25,845)	(70,213)
<b>Net special assessments receivable</b>	<u>\$ 144,964</u>	<u>\$ 66,278</u>	<u>\$ 299,049</u>	<u>\$ 510,291</u>

**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 5 - CAPITAL ASSETS**

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

	<b>Audited Balance 7/1/2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Audited Balance 6/30/2018</b>
<b><u>Governmental Activities</u></b>				
<b>Capital assets not being depreciated</b>				
Land	\$ 432,260	\$	\$ (62,975)	\$ 369,285
 <b>Capital assets being depreciated:</b>				
Buildings	1,204,795			1,204,795
Equipment	132,024	42,480	(46,651)	127,853
Park improvements	103,467			103,467
<b>Subtotal</b>	1,440,286	42,480	(46,651)	1,436,115
 <b>Accumulated depreciation:</b>				
Buildings	(597,190)	(25,575)		(622,765)
Equipment	(97,288)	(17,421)	46,651	(68,058)
Park improvements	(54,713)	(4,472)		(59,185)
<b>Subtotal</b>	(749,191)	(47,468)	46,651	(750,008)
<b>Net capital assets being depreciated</b>	691,095	(4,988)		686,107
<b>Net capital assets</b>	\$ 1,123,355	\$ (4,988)	\$ (62,975)	\$ 1,055,392

The Township has no debt associated with these assets.

Depreciation expense was charged to the following programs:

<b>Governmental activities:</b>	
General government	\$ 42,996
Parks and recreation	4,472
	\$ 47,468
<b>Total depreciation</b>	<b>\$ 47,468</b>

**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 5 - CAPITAL ASSETS – continued**

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

	<b>Audited Balance 7/1/2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Audited Balance 6/30/2018</b>
<b><u>Business-type Activities</u></b>				
<b>Capital assets not being depreciated</b>				
Land	\$ 854,632	\$	\$ (200,755)	\$ 653,877
<b>Capital assets being depreciated:</b>				
Sewer plant	9,795,116			9,795,116
Collection system	14,115,473	120,000	(12,002)	14,223,471
Equipment	134,102			134,102
<b>Subtotal</b>	<b>24,044,691</b>	<b>120,000</b>	<b>(12,002)</b>	<b>24,152,689</b>
<b>Accumulated depreciation:</b>				
Sewer plant	(4,495,170)	(267,757)		(4,762,927)
Collection system	(6,569,763)	(403,383)	7,371	(6,965,775)
Equipment	(134,102)			(134,102)
<b>Subtotal</b>	<b>(11,199,035)</b>	<b>(671,140)</b>	<b>7,371</b>	<b>(11,862,804)</b>
<b>Net capital assets being depreciated</b>	<b>12,845,656</b>	<b>(551,140)</b>	<b>(4,631)</b>	<b>12,289,885</b>
<b>Net capital assets</b>	<b>\$ 13,700,288</b>	<b>\$ (551,140)</b>	<b>\$ (205,386)</b>	<b>\$ 12,943,762</b>

Depreciation expense was charged to the sewer disposal program.

**NOTE 6 - 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:

	<b>7/1/2017</b>	<b>6/30/2018</b>
<b>Current assets</b>		
Cash and equivalents	\$ 2,759,760	\$ 3,071,540

**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 7 - DEFINED CONTRIBUTION PENSION PLANS**

The Township has adopted the MERS 401(a) Defined Contribution 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 8.0% of compensation. The employee may also voluntarily contribute up to 10% of after-tax compensation.

**TOTAL CURRENT YEAR EMPLOYER CONTRIBUTIONS** \$ 32,018

The employees did not contribute to the MERS 401(a) Defined Contribution plan in the current year.

In addition, the Township sponsors a deferred compensation plan qualifying under Section 457 of the Internal Revenue Code with MERS and VOYA Financial. The Township is not obligated to make matching or employer contributions to the plan. Employees contributed \$23,937 to the MERS plan.

**NOTE 8 - INVESTMENT IN JOINT VENTURES**

As of June 30, 2018, 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 \$10,352,494 as of June 30, 2018.

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. Selected financial information of MHOG as of and for the fiscal year ended September 30, 2017 (the date financial information was last available) were as follows:

Total assets	\$ 44,926,122
Total liabilities	\$ 3,516,146
Total net position	\$ 41,409,976
Total revenue	\$ 3,225,098
Total expenses	\$ (3,427,738)

**MARION TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 8 - 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 \$1,118,634 as of June 30, 2018.

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 Fire Authority at 1211 W. Grand River, Howell, Michigan. Selected financial information of the Fire Authority as of and for the fiscal year ended June 30, 2018 (the date financial information was last available) was as follows:

Total assets	\$ 6,212,445
Total liabilities	\$ 619,275
Total net assets	\$ 5,593,170
Total revenue	\$ 2,700,753
Total expenditures	\$ 2,004,759

**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 Township appoints one member to the five-member Recreation Authority board. The Township holds a 25% equity interest in the joint venture which amounted to (\$553) at June 30, 2018. This amount is recorded in the government-wide statement of net position as an investment in joint venture.

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 December 31, 2017 (the date financial information was last available) was as follows:

Total assets	\$ 140,669
Total liabilities	\$ 142,344
Total net position (deficit)	\$ (1,675)
Total revenue	\$ 1,365,322
Total expenditures	\$ 1,370,867



**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, 2018**

	<u>Budget Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 452,500	\$ 452,500	\$ 475,468	\$ 22,968
Licenses and permits	156,250	166,750	173,497	6,747
State revenues	808,000	855,000	870,695	15,695
Interest and rent	36,541	40,501	46,616	6,115
Other revenues	4,000	4,500	6,416	1,916
<b>Total revenues</b>	<u>1,457,291</u>	<u>1,519,251</u>	<u>1,572,692</u>	<u>53,441</u>
<b>EXPENDITURES</b>				
Payroll taxes and benefits	255,000	284,050	266,355	17,695
Township board	42,450	43,550	41,434	2,116
Supervisor	47,950	47,950	46,209	1,741
Clerk	85,650	87,550	84,271	3,279
Board of review	3,700	4,200	2,551	1,649
Treasurer	125,936	122,550	112,392	10,158
Assessor	109,861	112,400	112,146	254
Tax roll	6,000	9,000	9,304	(304)
Elections	14,700	15,500	10,794	4,706
Buildings and grounds	146,600	137,130	103,004	34,126
Legal	12,700	21,000	14,264	6,736
Professional fees	31,550	37,550	27,408	10,142
Insurance, bonds and retirement	74,500	75,500	70,448	5,052
Equipment	3,000	12,000	6,122	5,878
Capital outlay	13,000	13,000	2,800	10,200
Public works	7,450	1,150	225	925
Drains	16,000	5,000	3,816	1,184
Planning commission	15,050	21,700	18,414	3,286
Zoning administrator	48,800	49,650	32,657	16,993
Zoning board of appeals	9,800	8,400	5,186	3,214
Roads	810,000	1,175,000	959,220	215,780
Cemetery	6,000	6,000	6,000	
Recreation	109,500	110,000	107,391	2,609
Contingency	10,000	10,000		10,000
<b>Total expenditures</b>	<u>2,005,197</u>	<u>2,409,830</u>	<u>2,042,411</u>	<u>367,419</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(547,906)</u>	<u>(890,579)</u>	<u>(469,719)</u>	<u>420,860</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	10,000	10,000		(10,000)
Transfers (out)	(37,000)	(37,000)		37,000
<b>Total other financing sources (uses)</b>	<u>(27,000)</u>	<u>(27,000)</u>		<u>27,000</u>
<b>Net change in fund balance</b>	(574,906)	(917,579)	(469,719)	447,860
<b>FUND BALANCE, JULY 1, 2017</b>	<u>2,605,916</u>	<u>2,605,916</u>	<u>2,605,916</u>	
<b>FUND BALANCE, JUNE 30, 2018</b>	<u>\$ 2,031,010</u>	<u>\$ 1,688,337</u>	<u>\$ 2,136,197</u>	<u>\$ 447,860</u>

**MARION TOWNSHIP**

**ASSESSMENT REVOLVING PROJECT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amount</u>		<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Special assessment principal	\$ 66,000	\$ 66,000	\$ 110,791	\$ 44,791
Special assessment interest	750	750	1,004	254
<b>Total revenues</b>	<u>66,750</u>	<u>66,750</u>	<u>111,795</u>	<u>45,045</u>
<b>EXPENDITURES</b>				
Road maintenance	96,000	96,000	86,202	9,798
Weed control	55,000	55,000	55,241	(241)
Professional fees	1,000	1,000	1,233	(233)
<b>Total expenditures</b>	<u>152,000</u>	<u>152,000</u>	<u>142,676</u>	<u>9,324</u>
<b>Net change in fund balance</b>	(85,250)	(85,250)	(30,881)	54,369
<b>FUND BALANCE, JULY 1, 2017</b>	<u>141,142</u>	<u>141,142</u>	<u>141,142</u>	
<b>FUND BALANCE, JUNE 30, 2018</b>	<u>\$ 55,892</u>	<u>\$ 55,892</u>	<u>\$ 110,261</u>	<u>\$ 54,369</u>

**SUPPLEMENTAL INFORMATION**

## **COMBINING FINANCIAL STATEMENTS**

**MARION TOWNSHIP**

**ALL FUNDS INCLUDED IN GASB 54 GENERAL FUND CONSOLIDATION  
COMBINING BALANCE SHEET  
JUNE 30, 2018**

	<b>General Fund Pre - GASB 54 Consolidation</b>	<b>Recreation Fund</b>	<b>Heritage Days Fund</b>	<b>Eliminations</b>	<b>Totals Restated General Fund</b>
<b>ASSETS</b>					
Cash and investments	\$ 2,252,435	\$ 2,383	\$ 2,706	\$	\$ 2,257,524
Receivables					
Accounts receivable	1,058				1,058
Due from other governments	283,796				283,796
Due from other funds	14,770	2,706		(2,706)	14,770
Other	2,928				2,928
Prepaid expenses	45,151				45,151
	<u>45,151</u>				<u>45,151</u>
Total assets	<u>\$ 2,600,138</u>	<u>\$ 5,089</u>	<u>\$ 2,706</u>	<u>\$ (2,706)</u>	<u>\$ 2,605,227</u>
<b>Liabilities</b>					
Accounts payable	\$ 424,525	\$	\$	\$	\$ 424,525
Accrued expenditures	42,521				42,521
Due to other funds			2,706	(2,706)	
Unearned revenue	1,984				1,984
	<u>1,984</u>				<u>1,984</u>
Total liabilities	<u>469,030</u>		<u>2,706</u>	<u>(2,706)</u>	<u>469,030</u>
<b>Fund Balances</b>					
Nonspendable for:					
Prepaid expenses	45,151				45,151
Committed to:					
Capital improvement		5,089			5,089
Unassigned	2,085,957				2,085,957
	<u>2,085,957</u>				<u>2,085,957</u>
Total fund balance	<u>2,131,108</u>	<u>5,089</u>			<u>2,136,197</u>
<b>Total liabilities and fund balance</b>	<u>\$ 2,600,138</u>	<u>\$ 5,089</u>	<u>\$ 2,706</u>	<u>\$ (2,706)</u>	<u>\$ 2,605,227</u>

**MARION TOWNSHIP**

**ALL FUNDS INCLUDED IN GASB 54 GENERAL FUND CONSOLIDATION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>General Fund Pre GASB 54 Consolidation</b>	<b>Recreation Fund</b>	<b>Heritage Days Fund</b>	<b>Eliminations</b>	<b>Totals Restated General Fund</b>
<b>REVENUES</b>					
Taxes	\$ 475,468	\$	\$	\$	\$ 475,468
Licenses and permits	173,497				173,497
State revenues	870,695				870,695
Interest and rent	46,616				46,616
Miscellaneous	6,140	116	160		6,416
<b>Total revenues</b>	<b>1,572,416</b>	<b>116</b>	<b>160</b>		<b>1,572,692</b>
<b>EXPENDITURES</b>					
Payroll taxes and benefits	266,355				266,355
Township board	41,434				41,434
Supervisor	46,209				46,209
Clerk	84,271				84,271
Board of review	2,551				2,551
Treasurer	112,392				112,392
Assessor	112,146				112,146
Tax roll prep	9,304				9,304
Election	10,794				10,794
Building and grounds	103,004				103,004
Legal	14,264				14,264
Professional fees	27,408				27,408
Insurance, bonds and retirement	70,448				70,448
Equipment	6,122				6,122
Capital outlay	2,800				2,800
Public works	225				225
Drains	3,816				3,816
Roads	959,220				959,220
Cemetery	6,000				6,000
Planning commission	18,414				18,414
Zoning administrator	32,657				32,657
Zoning board of appeals	5,186				5,186
Recreation	102,450	4,358	583		107,391
<b>Total expenditures</b>	<b>2,037,470</b>	<b>4,358</b>	<b>583</b>		<b>2,042,411</b>
<b>Revenues over (under) expenditures</b>	<b>(465,054)</b>	<b>(4,242)</b>	<b>(423)</b>		<b>(469,719)</b>
<b>Other financing sources (uses)</b>					
Transfers in		2,706		(2,706)	
Transfers (out)			(2,706)	2,706	
<b>Total other financing sources (uses)</b>		<b>2,706</b>	<b>(2,706)</b>		
<b>Net changes in fund balances</b>	<b>(465,054)</b>	<b>(1,536)</b>	<b>(3,129)</b>		<b>(469,719)</b>
<b>FUND BALANCE, JULY 1, 2017</b>	<b>2,596,162</b>	<b>6,625</b>	<b>3,129</b>		<b>2,605,916</b>
<b>FUND BALANCE, JUNE 30, 2018</b>	<b>\$ 2,131,108</b>	<b>\$ 5,089</b>	<b>\$</b>	<b>\$</b>	<b>\$ 2,136,197</b>

**INDIVIDUAL FUNDS**



**GENERAL FUND (PRE GASB 54 RESTATEMENT)**

MARION TOWNSHIP

GENERAL FUND (PRE GASB 54 RESTATEMENT)  
BALANCE SHEET  
JUNE 30, 2018

**ASSETS**

Cash and investments		\$ 2,252,435
Receivables		
Accounts receivable		1,058
Due from other governments		283,796
Due from other funds		14,770
Other		2,928
Prepaid expenditures		<u>45,151</u>
<b>Total assets</b>		<u><u>\$ 2,600,138</u></u>

**LIABILITIES**

Accounts payable	\$ 424,525
Accrued expenditures	42,521
Unearned revenue	<u>1,984</u>

**Total liabilities** \$ 469,030

**FUND BALANCE** 2,131,108

**Total liabilities and fund balance** \$ 2,600,138

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, 2018**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Property taxes	\$ 452,500	\$ 475,468	\$ 22,968
Licenses and permits	166,750	173,497	6,747
State revenues	855,000	870,695	15,695
Interest and rent	40,501	46,616	6,115
Other revenues	4,500	6,140	1,640
<b>Total revenues</b>	1,519,251	1,572,416	53,165
<b>EXPENDITURES</b>	<u>2,402,630</u>	<u>2,037,470</u>	<u>365,160</u>
<b>Net revenues over (under) expenditures</b>	(883,379)	(465,054)	418,325
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(37,000)</u>	<u></u>	<u>37,000</u>
<b>Net change in fund balance</b>	(920,379)	(465,054)	455,325
<b>FUND BALANCE, JULY 1, 2017</b>	<u>2,596,162</u>	<u>2,596,162</u>	<u></u>
<b>FUND BALANCE, JUNE 30, 2018</b>	<u>\$ 1,675,783</u>	<u>\$ 2,131,108</u>	<u>\$ 455,325</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 - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>PROPERTY TAXES</b>			
Property taxes	\$ 334,500	\$ 350,126	\$ 15,626
PILT		549	549
Administration fees	118,000	124,793	6,793
<b>Total property taxes</b>	<u>452,500</u>	<u>475,468</u>	<u>22,968</u>
<b>LICENSES AND PERMITS</b>			
Licenses, fees, permits	18,750	23,920	5,170
Cable franchise fees	148,000	149,577	1,577
<b>Total licenses and permits</b>	<u>166,750</u>	<u>173,497</u>	<u>6,747</u>
<b>STATE REVENUES</b>			
State shared revenues	845,000	860,217	15,217
Metro Act	10,000	10,478	478
<b>Total state revenues</b>	<u>855,000</u>	<u>870,695</u>	<u>15,695</u>
<b>INTEREST AND RENT</b>			
Interest income	700	6,127	5,427
Cell tower lease	35,800	35,949	149
Rental income	4,001	4,540	539
<b>Total interest and rent</b>	<u>40,501</u>	<u>46,616</u>	<u>6,115</u>
<b>OTHER REVENUES</b>			
Miscellaneous	4,500	6,140	1,640
<b>Total revenues</b>	<u>\$ 1,519,251</u>	<u>\$ 1,572,416</u>	<u>\$ 53,165</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  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>PAYROLL TAXES AND BENEFITS</b>			
Payroll taxes	\$ 35,000	\$ 33,943	\$ 1,057
Health insurance	245,050	228,814	16,236
Payroll processing	4,000	3,598	402
<b>Total payroll taxes and benefits</b>	<u>284,050</u>	<u>266,355</u>	<u>17,695</u>
<b>TOWNSHIP BOARD</b>			
Salaries	33,100	31,974	1,126
Meetings and seminars	2,000	1,469	531
Mileage	750	693	57
Printing and publications	1,500	1,558	(58)
Membership dues	5,800	5,513	287
Miscellaneous	400	227	173
<b>Total township board</b>	<u>43,550</u>	<u>41,434</u>	<u>2,116</u>
<b>SUPERVISOR</b>			
Salary	46,000	45,159	841
Meetings and seminars	1,350	1,050	300
Supplies	250		250
Mileage	250		250
Miscellaneous	100		100
<b>Total supervisor</b>	<u>47,950</u>	<u>46,209</u>	<u>1,741</u>
<b>CLERK</b>			
Salary	46,000	45,159	841
Salaries - deputy	35,200	33,596	1,604
Salaries - assistant	200		200
Supplies	800	974	(174)
Mileage	1,250	1,272	(22)
Dues and subscriptions	600	390	210
Miscellaneous	500	460	40
Training and seminars	3,000	2,420	580
<b>Total clerk</b>	<u>87,550</u>	<u>84,271</u>	<u>3,279</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, 2018**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>BOARD OF REVIEW</b>			
Salaries	2,500	1,594	906
Printing and publications	1,000	420	580
Miscellaneous	200	87	113
Training and seminars	500	450	50
<b>Total board of review</b>	<u>4,200</u>	<u>2,551</u>	<u>1,649</u>
<b>TREASURER</b>			
Salary	46,000	45,159	841
Salaries - deputy	34,000	32,710	1,290
Salaries - other	32,000	30,110	1,890
Collection fees	200		200
Supplies	1,200	260	940
Equipment	1,000	950	50
Legal	1,250	272	978
Mileage	1,800	1,107	693
Dues and subscriptions	650	34	616
Miscellaneous	700	175	525
Training	3,750	1,615	2,135
<b>Total treasurer</b>	<u>122,550</u>	<u>112,392</u>	<u>10,158</u>
<b>ASSESSOR</b>			
Salaries	102,500	103,835	(1,335)
Dues and subscriptions	250	230	20
Supplies	1,500	1,501	(1)
Postage	3,500	1,935	1,565
Mileage	1,250	1,219	31
Professional services	1,000		1,000
Software	500		500
Training and seminars	1,500	3,080	(1,580)
Miscellaneous	400	346	54
<b>Total assessor</b>	<u>112,400</u>	<u>112,146</u>	<u>254</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, 2018

	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>TAX ROLL</b>			
Tax roll prep	6,000	5,454	546
Postage	3,000	3,850	(850)
<b>Total tax roll</b>	<b>9,000</b>	<b>9,304</b>	<b>(304)</b>
<b>ELECTIONS</b>			
Equipment	10,000	7,719	2,281
Supplies	1,800	1,549	251
Mileage	200	61	139
Printing and publications	500		500
Postage	500	1,465	(965)
Miscellaneous	2,500		2,500
<b>Total elections</b>	<b>15,500</b>	<b>10,794</b>	<b>4,706</b>
<b>BUILDING AND GROUNDS</b>			
Salaries - secretary	30,000	26,032	3,968
Custodial	6,500	3,525	2,975
Trash removal	16,750	17,379	(629)
Supplies	12,000	10,514	1,486
Equipment - maintenance	12,000	8,227	3,773
Postage	4,000	2,656	1,344
Mileage	300	160	140
Grounds maintenance	13,500	9,240	4,260
Repairs and maintenance	3,000	583	2,417
Telephone	8,000	5,281	2,719
Utilities	10,000	7,519	2,481
Cable and internet	2,250	1,634	616
Major repairs	16,000	9,859	6,141
Miscellaneous	2,830	395	2,435
<b>Total building and grounds</b>	<b>137,130</b>	<b>103,004</b>	<b>34,126</b>
<b>LEGAL</b>	<b>21,000</b>	<b>14,264</b>	<b>6,736</b>

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

**MARION TOWNSHIP**

**GENERAL FUND (PRE GASB 54 RESTATEMENT)  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>PROFESSIONAL FEES</b>			
Financial services	10,000	8,235	1,765
Accounting	1,000		1,000
Software support	16,000	13,184	2,816
Economic development	2,000	1,290	710
Engineering	4,500	699	3,801
Miscellaneous	4,050	4,000	50
<b>Total professional fees</b>	<u>37,550</u>	<u>27,408</u>	<u>10,142</u>
<b>INSURANCE, BONDS AND RETIREMENT</b>			
Insurance and bonds	41,000	38,430	2,570
Retirement	34,000	32,018	1,982
Admin fees	500		500
<b>Total insurance, bonds and retirement</b>	<u>75,500</u>	<u>70,448</u>	<u>5,052</u>
<b>EQUIPMENT</b>	<u>12,000</u>	<u>6,122</u>	<u>5,878</u>
<b>CAPITAL OUTLAY</b>			
Building improvements	10,000	1,950	8,050
Tornado siren	3,000	850	2,150
<b>Total capital outlay</b>	<u>13,000</u>	<u>2,800</u>	<u>10,200</u>
<b>PUBLIC WORKS</b>			
Salaries			
Watershed planning	450	225	225
Supplies	250		250
Training and seminars	250		250
Mileage	200		200
<b>Total public works</b>	<u>1,150</u>	<u>225</u>	<u>925</u>
<b>DRAINS</b>	<u>5,000</u>	<u>3,816</u>	<u>1,184</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, 2018

	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>PLANNING COMMISSION</b>			
Salaries	7,500	6,590	910
Supplies	150	104	46
Training and seminars	2,500	2,003	497
Attorney	750	186	564
Mileage	250	158	92
Printing and publications	1,700	2,163	(463)
Recording secretary	1,750	1,475	275
Professional fees	7,000	5,735	1,265
Miscellaneous	100		100
<b>Total planning commission</b>	<b>21,700</b>	<b>18,414</b>	<b>3,286</b>
<b>ZONING ADMINISTRATOR</b>			
Salary	38,600	31,691	6,909
Salary - assistant	8,000		8,000
Supplies	250	110	140
Mileage	1,000	821	179
Attorney	250		250
Professional fees	1,000		1,000
Training and seminars	250		250
Miscellaneous	300	35	265
<b>Total zoning administrator</b>	<b>49,650</b>	<b>32,657</b>	<b>16,993</b>
<b>ZONING BOARD OF APPEALS</b>			
Salaries	4,000	2,890	1,110
Attorney	1,250	786	464
Professional fees	500		500
Printing and publications	1,250	895	355
Recording secretary	750	615	135
Supplies	50		50
Training and seminars	500		500
Miscellaneous	100		100
<b>Total zoning board of appeals</b>	<b>8,400</b>	<b>5,186</b>	<b>3,214</b>

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

**MARION TOWNSHIP**

**GENERAL FUND (PRE GASB 54 RESTATEMENT)  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>ROADS</b>			
Maintenance and improvements	1,100,000	890,764	209,236
Dust control	75,000	68,456	6,544
<b>Total roads</b>	1,175,000	959,220	215,780
<b>CEMETERY</b>	6,000	6,000	
<b>RECREATION</b>	102,800	102,450	350
<b>CONTINGENCY</b>	10,000		10,000
<b>Total expenditures</b>	\$ 2,402,630	\$ 2,037,470	\$ 365,160

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

**PROPRIETARY SEWER FUND**

**MARION TOWNSHIP**

**PROPRIETARY SEWER FUND  
STATEMENT OF REVENUES AND EXPENSES FOR OPERATIONS ONLY  
FOR THE YEARS ENDED JUNE 30, 2009 - 2018**

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<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>
<b>REVENUE</b>										
User charges -										
Quarterly charges for usage	\$ 298,756	\$ 289,447	\$ 264,297	\$ 254,001	\$ 239,446	\$ 220,408	\$ 212,747	\$ 202,607	\$ 173,243	\$ 190,260
<b>EXPENSES</b>										
Contract labor	32,098	25,544	38,433	45,275	39,527	47,460	38,040	38,177	45,984	51,565
Sewer usage fee	197,379	178,739	153,914	151,343	137,972	114,199	92,450	87,507	85,001	131,523
Utilities	10,436	9,749	10,326	8,164	10,237	9,896	8,890	9,041	9,263	7,838
Telephone	10,044	7,158	5,189	7,485	5,988	5,075	4,391	3,656	3,420	3,195
Administrative fees -										
Reimbursement to general fund				5,000	4,000	4,000	2,202	2,202	2,485	2,557
Billing administrative (Genoa Twp.)	20,229	19,877	18,971	18,055	16,915	15,560	15,003	14,615	14,272	14,072
Professional fees	35,632	45,999	25,238	7,531	17,218	9,290	16,772	14,067	25,969	30,662
Repairs and maintenance	674	33,937	714	1,658	13,840	4,872	1,528	6,663	48,366	6,721
Refunds	1,494		17,683							
Miscellaneous				440						650
<b>Total expenses</b>	<b>307,986</b>	<b>321,003</b>	<b>270,468</b>	<b>244,951</b>	<b>245,697</b>	<b>210,352</b>	<b>179,276</b>	<b>175,928</b>	<b>234,760</b>	<b>248,783</b>
<b>Net operating income (loss)</b>	<b>\$ (9,230)</b>	<b>\$ (31,556)</b>	<b>\$ (6,171)</b>	<b>\$ 9,050</b>	<b>\$ (6,251)</b>	<b>\$ 10,056</b>	<b>\$ 33,471</b>	<b>\$ 26,679</b>	<b>\$ (61,517)</b>	<b>\$ (58,523)</b>

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.

November 2, 2018

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, 2018, 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. Management has read, reviewed, understands and takes full responsibility for 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 cannot be done without significant additional costs. Therefore, management has decided to maintain the current practice.

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