

**TOWNSHIP OF MARCELLUS
CASS COUNTY, MICHIGAN
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Marcellus Township	County Cass County
Fiscal Year End June 30, 2007	Opinion Date December 12, 2007	Date Audit Report Submitted to State December 27, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

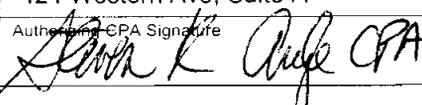
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Angle & Steffes, P.C.			Telephone Number 269-686-9050	
Street Address 424 Western Ave, Suite A			City Allegan	State MI
Authorized CPA Signature 			License Number 14653	
Printed Name Steven K. Angle, CPA				

TOWNSHIP OF MARCELLUS

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INDEPENDENT AUDITOR'S REPORT

December 12, 2007

To the Township Board
Township of Marcellus
Cass County, Michigan

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Marcellus, Cass County, Michigan as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the index. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Marcellus as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying management's discussion and analysis and budgetary comparison information as noted in the index are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marcellus Township's basic financial statements. The accompanying other supplemental information, as identified in the index, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Angle & Steffes, P.C.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a long-term view of the Township finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government wide financial statements.

Government Wide Statements

	Governmental Activities		Component Units		Total	
	2007	2006	2007	2006	2007	2006
<u>Assets</u>						
Current and other assets	359,533	357,676	125,473	137,159	485,006	494,835
Capital Assets, net of deprec.	60,577	59,851	415,361	405,746	475,938	465,597
Total Assets	<u>420,110</u>	<u>417,527</u>	<u>540,834</u>	<u>542,905</u>	<u>960,944</u>	<u>960,432</u>
<u>Liabilities</u>						
Current Liabilities	<u>38,904</u>	<u>35,044</u>	<u>472</u>	<u>888</u>	<u>39,376</u>	<u>35,932</u>
Total Liabilities	<u>38,904</u>	<u>35,044</u>	<u>472</u>	<u>888</u>	<u>39,376</u>	<u>35,932</u>
<u>Net Assets</u>						
Invested in capital assets, net	60,577	59,851	415,361	405,746	475,938	465,597
Restricted	230,502	231,984	125,001	136,271	355,503	368,255
Unrestricted	<u>90,127</u>	<u>90,648</u>	<u>0</u>	<u>0</u>	<u>90,127</u>	<u>90,648</u>
Total Net Assets	<u>381,206</u>	<u>382,483</u>	<u>540,362</u>	<u>542,017</u>	<u>921,568</u>	<u>924,500</u>
<u>Revenues</u>						
Program Services						
Charges for Services	32,102	24,923	15,924	14,570	48,026	39,493
General Revenue						
Taxes	270,254	251,005	80,927	78,362	351,181	329,367
State Shared Revenue	112,680	113,723	3,402	3,109	116,082	116,832
Interest and investment	9,860	5,308	3,627	2,675	13,487	7,983
Other	<u>4,061</u>	<u>1,618</u>	<u>16,703</u>	<u>17,742</u>	<u>20,764</u>	<u>19,360</u>
Total Revenues	<u>428,957</u>	<u>396,577</u>	<u>120,583</u>	<u>116,458</u>	<u>549,540</u>	<u>513,035</u>
<u>Expenses</u>						
General Government	154,452	146,061	0	0	154,452	146,061
Public Safety	234,396	179,584	0	0	234,396	179,584
Public Works	39,809	62,031	0	0	39,809	62,031
Recreation and culture	0	0	122,239	120,367	122,239	120,239
Other	<u>1,577</u>	<u>1,559</u>	<u>0</u>	<u>0</u>	<u>1,577</u>	<u>1,559</u>
Total Expenses	<u>430,234</u>	<u>389,235</u>	<u>122,239</u>	<u>120,367</u>	<u>552,473</u>	<u>509,474</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
MARCELLUS TOWNSHIP, CASS COUNTY

The Township as a Whole

The Township's net assets continue to remain healthy. There continues to be significant success in the collection of delinquent personal property taxes. There were no significant changes in the tax base. The business economy in the Township remained stable. A tax abatement was granted to Fab-Masters, Inc. in response to a significant expansion of its operations. It is anticipated that this expansion will create additional employment opportunities and benefit the local economy. The Township is committed to the support of its business community.

Government Activities

The principal changes in fund balances were due to the collection of voted millages as well as real and personal property taxes. Voted mills for fire and ambulance operations, road maintenance, and police services are restricted to their specific purposes.

In addition, there are voted funds for maintenance and operation of the Library and Hudson Memorial Building. These are reflected in and reported as "Component Units" in the financial statements. The administration for each of these funds is accomplished through a separate, elected Board of Directors.

The Township's Funds

The report of the Township's major funds and the accompanying notes are enclosed with this report. The governmental balance sheet and financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific, restricted purposes as well as to show accountability for certain activities, such as special millages. The Township's major funds for the year include the General Fund, Road Fund, Fire and Ambulance Fund and Police Fund.

The General Fund pays for most of the Township's general governmental services, as well as support the special revenue tax millages to cover fire, ambulance and police services. The Road Fund continued to have to have the largest fund balance of \$155.3 thousand. This is due to timing of payment for roadwork as well as a deliberate effort of the Township Board to maintain a reserve of funds for more costly roadwork, such as upgrading gravel roads and in anticipation of increasing costs. An additional \$34.2 thousand was allocated from the Fire and Ambulance Fund upon request from the MAESA Board for the support of additional needed fire and rescue equipment. This is funded through a special millage and managed by the Township for such purposes.

General Fund Budgetary Highlights

There were no significant variances in anticipated vs. actual revenue during the year. Through the Township's efforts to maximize revenues on its funds, interest and investment revenues rose significantly (86%) from those of last year.

Overall, expenditures in Township departments were below anticipated budget. There was an increase in attorney expense due to the development of the sewer project, discussed later in this report. These designated sewer-related attorney fees will be reimbursed once the sewer project is funded. The General Fund's fund balance remained stable at \$90.1 thousand. This also takes into account the \$34.2 thousand contribution to Fire and Ambulance for additional fire fighting and emergency equipment.

Outlook for the Coming Year

During the 2006-2007 fiscal year, no long-term debt was incurred and no commitments for capital expenditures were made. In addition, there is no outstanding debt coming into the new year. Therefore, there should be no change in credit rating or debt limitation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
MARCELLUS TOWNSHIP, CASS COUNTY

Barring any unforeseen or catastrophic economic events, the financial position of Marcellus Township should remain stable for the ensuing year. We continue to closely monitor the State budget deficit projections and their potential impact on local municipalities, such as future reductions in revenue sharing. Nevertheless, we should be able to continue the provision of services at current levels regardless of any anticipated reductions in this area. However, some services may be compromised depending on the outcome of millage renewals due in the coming year. These include Police and Road Fund millages.

The Township will continue to develop several projects over the next year. The Township has continued the provision of dust control for all gravel roads within the Township. This is the third year of the project and it continues to demonstrate success in stabilizing deteriorating gravel roads. In addition, the Township completed major up-grading of a key gravel road. However, the extent of future road improvements may be limited due to the elimination of the local match funds by the Cass County Road Commission as well as increasing overall costs for road improvement and paving projects.

The Township has moved forward on a project to provide for municipal sewer service to several lake and surrounding areas. Petitions circulated to test for sufficiency of interest indicated a very strong desire on the part of affected lake property owners for such a project. The project will involve a cooperative effort and collaboration with three townships (Marcellus, Porter and Volinia) and two counties (Cass and Van Buren). A separate Authority has been formed and incorporated to oversee the project. It is anticipated that special assessment districts will be formed within the next year and that the project will be funded through a bond issue through the USDA, Rural Development Fund. Grants are also being pursued for funding. This is the most major project undertaken by the Township in many years and will be instrumental in preserving the quality of our lakes and the surrounding environment.

In addition, the Township is participating in a grant-funded project through the DEQ to obtain consultation for the upgrade of its ordinances and land use plans in order to preserve and ensure the quality of the Rocky River Watershed and surrounding areas. It is believed that through this project the Township will be able to develop a comprehensive Master Plan.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances as well as to show the Township's accountability for the money it receives. Copies of the financial report are available through the Township clerk. If you have any questions or need further information, please contact the clerk or attend Township Board meetings which are held on the third Tuesday of each month beginning at 7:00 p.m.

TOWNSHIP OF MARCELLUS
GOVERNMENT WIDE STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government		Component Units
	Governmental Activities	Total	
ASSETS			
Cash and cash equivalents	\$ 282,696	\$ 282,696	\$ 123,010
Investments	0	0	0
Receivables - net	42,862	42,862	2,463
Prepays	33,975	33,975	0
Capital assets - net	60,577	60,577	415,361
 Total Assets	420,110	420,110	540,834
 LIABILITIES			
Accounts payable	31,067	31,067	472
Accrued and other liabilities	7,837	7,837	0
Noncurrent Liabilities			
Due within one year	0	0	0
Due in more than one year	0	0	0
 Total Liabilities	38,904	38,904	472
 NET ASSETS			
Invested in Capital Assets			
Net of related debt	60,577	60,577	415,361
Restricted For			
Streets and highways	155,305	155,305	0
Public safety	61,197	61,197	0
Culture & recreation	0	0	125,001
Cemetery care	14,000	14,000	0
Debt service	0	0	0
Unrestricted	90,127	90,127	0
 Total Net Assets	\$ 381,206	\$ 381,206	\$ 540,362

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MARCELLUS
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
General government	\$ 154,452	\$ 18,133	\$ 0	\$ 0	\$ (136,319)	\$ 0	\$ (136,319)	\$ 0
Public safety	234,396	13,969	0	0	(220,427)	0	(220,427)	0
Public works	39,809	0	0	0	(39,809)	0	(39,809)	0
Community/Economic development	1,577	0	0	0	(1,577)	0	(1,577)	0
Recreation and culture	0	0	0	0	0	0	0	0
Total Governmental Activities	430,234	32,102	0	0	(398,132)	0	(398,132)	0
Total Primary Government	\$ 430,234	\$ 32,102	\$ 0	\$ 0	(398,132)	0	(398,132)	0
Component Units								
Library Fund	\$ 96,619	12,479	\$ 1,650	\$ 0	0	0	0	(82,490)
Hudson Memorial Building	25,619	1,570	225	0	0	0	0	(23,824)
Total Component Units	\$ 122,238	\$ 14,049	\$ 1,875	\$ 0	0	0	0	(106,314)
General Revenues								
Property taxes					270,254	0	270,254	80,927
State-shared revenues					112,680	0	112,680	3,402
Unrestricted investment earnings					9,860	0	9,860	3,627
Rental fees					186	0	186	0
Miscellaneous & Penal fines					3,875	0	3,875	16,703
Gain on sale of assets					0	0	0	0
Transfers					0	0	0	0
Total General Revenues-Special Items and Transfers					396,855	0	396,855	104,659
Change in Net Assets					(1,277)	0	(1,277)	(1,655)
Net Assets-Beginning					382,483	0	382,483	542,017
Net Assets-Ending					\$ 381,206	\$ 0	\$ 381,206	\$ 540,362

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF MARCELLUS
GOVERNMENTAL FUND BALANCE SHEET
 June 30, 2007

	General Fund	Road Fund	Fire and Ambulance Fund	Police Fund	Non-Major Governmental Fund	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 39,283	\$ 155,305	\$ 8,869	\$ 65,239	\$ 14,000	\$ 282,696
Investments	0	0	0	0	0	0
Receivables - net	33,517	0	0	0	1,356	34,873
Due from other funds	152	0	0	750	7,087	7,989
Prepays	33,975	0	0	0	0	33,975
Total Assets	106,927	155,305	8,869	65,989	22,443	359,533
LIABILITIES						
Accounts payable	9,713	0	0	19,863	1,491	31,067
Due to other funds	7,087	0	0	0	750	7,837
Total Liabilities	16,800	0	0	19,863	2,241	38,904
FUND BALANCES						
Reserved for						
Road projects	0	155,305	0	0	0	155,305
Public safety	0	0	8,869	46,126	6,202	61,197
Cemetery care	0	0	0	0	14,000	14,000
Unreserved	90,127	0	0	0	0	90,127
Total Fund Balances	\$ 90,127	\$ 155,305	\$ 8,869	\$ 46,126	\$ 20,202	\$ 320,629

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

Net Assets of Governmental Activities

60,577
\$ 381,206

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF MARCELLUS
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
 June 30, 2007

	General Fund	Road Fund	Fire and Ambulance Fund	Police Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Taxes and penalties	\$ 76,165	\$ 55,094	\$ 56,518	\$ 82,477	\$ 0	\$ 270,254
Licenses and permits	0	0	0	0	13,969	13,969
State aid	108,044	3,866	0	0	770	112,680
Charges for services	18,133	0	0	0	0	18,133
Interest and rentals	1,083	5,918	975	2,070	0	10,046
Other revenue, fines	3,761	114	0	0	0	3,875
Total Revenues	207,186	64,992	57,493	84,547	14,739	428,957
Expenditures						
Current						
General government	151,060	0	0	0	0	151,060
Public safety	0	0	136,995	83,431	13,969	234,395
Public works	4,227	35,582	0	0	0	39,809
Recreation and cultural	0	0	0	0	0	0
Community/Economic development	1,577	0	0	0	0	1,577
Capital outlay	4,119	0	0	0	0	4,119
Total Expenditures	160,983	35,582	136,995	83,431	13,969	430,960
Excess of Revenues Over (Under) Expenditures	46,203	29,410	(79,502)	1,116	770	(2,003)
Other Financing Sources (Uses)						
Transfers in	0	0	46,724	1,500	0	48,224
Transfers (out)	(46,724)	0	0	0	(1,500)	(48,224)
Total Other Financing Sources (Uses)	(46,724)	0	46,724	1,500	(1,500)	0
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(521)	29,410	(32,778)	2,616	(730)	(2,003)
Fund Balance July 1, 2006	90,648	125,895	41,647	43,510	20,932	322,632
Fund Balance June 30, 2007	\$ 90,127	\$ 155,305	\$ 8,869	\$ 46,126	\$ 20,202	\$ 320,629

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF MARCELLUS
FIDUCIARY FUNDS-STATEMENT OF NET ASSETS
JUNE 30, 2007

	<u>Trust & Agency Funds</u>		
	<u>Tax Collection</u>	<u>Tax Collection</u>	
	<u>Current</u>	<u>Delinquent</u>	<u>Total</u>
ASSETS			
Cash & cash equivalents	\$ 152	300	452
Delinquent tax receivable	0	0	0
Allowance for doubtful accounts	0	0	0
Due from other funds	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>152</u>	<u>300</u>	<u>452</u>
LIABILITIES			
Accounts payable	\$ 0	\$ 0	\$ 0
Due to other funds	152	0	152
Due to other governmental units	0	300	300
	<u>0</u>	<u>300</u>	<u>300</u>
Total Liabilities	<u>\$ 152</u>	<u>\$ 300</u>	<u>\$ 452</u>
NET ASSETS			

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF MARCELLUS
STATEMENT OF NET ASSETS-COMPONENT UNITS
JUNE 30, 2007

	Wood Memorial Library	Hudson Memorial Building	Total Component Units
ASSETS			
Cash and cash equivalents	\$ 58,888	64,122	\$ 123,010
Investments	0	0	0
Receivables (net)	2,463	0	2,463
Capital assets - net	<u>322,884</u>	<u>92,477</u>	<u>415,361</u>
Total Assets	<u>\$ 384,235</u>	<u>\$ 156,599</u>	<u>\$ 540,834</u>
LIABILITIES			
Accounts payable	472	0	472
Accrued and other liabilities	0	0	0
Noncurrent liabilities			
Due within one year	0	0	0
Due in more than one year	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>\$ 472</u>	<u>\$ 0</u>	<u>\$ 472</u>
NET ASSETS			
Invested in capital assets	322,884	92,477	415,361
Net of related debt			
Restricted for			
Library services	60,879	0	60,879
Cultural/Community facility	0	64,122	64,122
Unrestricted	<u>0</u>	<u>0</u>	<u>0</u>
Total Net Assets	<u>\$ 383,763</u>	<u>\$ 156,599</u>	<u>\$ 540,362</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MARCELLUS
STATEMENT OF ACTIVITIES-COMPONENT UNITS
YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Wood Memorial Library	Hudson Memorial Building	Total
Wood Memorial Library Cultural and recreation	\$ 96,619	\$ 12,479	\$ 1,650	\$ 0	\$ (82,490)	\$ 0	\$ (82,490)
Hudson Memorial Building Cultural and recreation	<u>25,619</u>	<u>1,570</u>	<u>225</u>	<u>0</u>	<u>0</u>	<u>(23,824)</u>	<u>(23,824)</u>
Total Primary Government	<u>\$ 122,238</u>	<u>\$ 14,049</u>	<u>\$ 1,875</u>	<u>\$ 0</u>	<u>(82,490)</u>	<u>(23,824)</u>	<u>(106,314)</u>
General Revenues							
Property taxes					53,968	26,959	80,927
State aid					3,402	0	3,402
Unrestricted investment earnings					1,692	1,935	3,627
Miscellaneous, fines & forfeit					<u>16,703</u>	<u>0</u>	<u>16,703</u>
Total General Revenues					<u>75,765</u>	<u>28,894</u>	<u>104,659</u>
Change in Net Assets					(6,725)	5,070	(1,655)
Net Assets-Beginning					<u>390,488</u>	<u>151,529</u>	<u>542,017</u>
Net Assets-Ending					<u>\$ 383,763</u>	<u>\$ 156,599</u>	<u>\$ 540,362</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MARCELLUS
COMPONENT UNIT BALANCE SHEET
JUNE 30, 2007**

	Wood Memorial Library	Hudson Memorial Building	Total Component Units
ASSETS			
Cash and cash equivalents	\$ 58,888	\$ 64,122	\$ 123,010
Investments	0	0	0
State Aid receivable	1,694	0	1,694
Refund receivable	769	0	769
Due from other funds	0	0	0
Total Assets	61,351	64,122	125,473
LIABILITIES			
Accounts payable	472	0	472
Due to other funds	0	0	0
Total Liabilities	472	0	472
FUND BALANCES			
Reserved For			
Library services	60,879	0	60,879
Cultural/Community facility	0	64,122	64,122
Unreserved	0	0	0
Total Fund Balances	\$ 60,879	\$ 64,122	\$ 125,001
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds.			415,361
Net Assets			\$ 540,362

The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF MARCELLUS
COMPONENT UNIT STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2007

	Wood Memorial Library	Hudson Memorial Building	Total Component Units
Revenues			
Taxes and penalties	53,968	26,959	80,927
State aid	3,402	0	3,402
Contributions	1,650	0	1,650
Charges for services	0	0	0
Interest and rentals	1,692	3,505	5,197
Other revenue, fines & forfeit	29,183	225	29,408
Total Revenues	<u>89,895</u>	<u>30,689</u>	<u>120,584</u>
Expenditures			
Current			
Library services	66,532	0	66,532
Cultural/Community services	0	18,824	18,824
Capital outlay	30,652	15,846	46,498
Total Expenditures	<u>97,184</u>	<u>34,670</u>	<u>131,854</u>
Excess of Revenues Over (Under) Expenditures	<u>(7,289)</u>	<u>(3,981)</u>	<u>(11,270)</u>
Other Financing Sources (Uses)			
Transfers in	0	0	0
Transfers (out)	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>(7,289)</u>	<u>(3,981)</u>	<u>(11,270)</u>
Fund Balance-July 1, 2006	<u>68,168</u>	<u>68,103</u>	<u>136,271</u>
Fund Balance-June 30, 2007	<u>\$ 60,879</u>	<u>\$ 64,122</u>	<u>\$ 125,001</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MARCELLUS
CASS COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Marcellus, Cass County, Michigan is a general law Township. The Township operates under an elected Board/Supervisor form of government and provides the following services as authorized by its charter: public safety, highways and street, public improvements, cultural recreation, planning and zoning, and administrative services.

The accounting policies of the Township of Marcellus conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. The Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Component Units

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity as discretely presented component units.

Discretely Presented Component Units

The component units' columns in the combined financial statements include the financial data of the Township's two component units. Those units are reported in a separate column to emphasize that they are legally separate from the Township, but for which the Township is financially accountable, or its' relationship with the Township is such that exclusion would cause the unit's financial statements to be misleading or incomplete.

The Hudson Memorial Building, which is established pursuant to the Community Center Act (MCL 123.41), is governed by a 7-member Board of Directors elected by the electors of Marcellus Township. The Board of Directors may not issue debt nor levy taxes.

The Marcellus Township Wood Memorial Library, which is established by MCL 397.210, is governed by a 7-member Library Board elected by the electors of Marcellus Township. The Library Board may not issue debt nor levy taxes.

The complete financial statements of the individual component units are included within this report on audit of financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

**TOWNSHIP OF MARCELLUS
CASS COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (continued)

Governmental activities, normally 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

**TOWNSHIP OF MARCELLUS
CASS COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(continued)

The government reports the following major governmental funds:

The General Fund is the government'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 Road Fund, Fire and Ambulance Fund and Police Fund are Special Revenue Funds of the Township. The Road Fund, Fire and Ambulance Fund and Police Fund are used to account for the proceeds of specific revenue tax millages that are legally restricted to expenditures for specified purposes.

Additionally, the government reports the following non-major fund types:

The Liquor Law Enforcement is a Special Revenue Fund of the Township. The Liquor Law Enforcement Fund is used to account for proceeds from the State of Michigan designated for police programs. The Permanent Cemetery Fund is a permanent government fund for care of general gravesites.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule would be charges between the government's enterprise funds and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Township of Marcellus does not have enterprise funds.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Finally, the government reports the following fund types:

The Tax Collection and Trust & Agency Funds are Fiduciary Funds accountable for assets held by the Township in a trustee or agency capacity for individuals, private organizations, other governments, and/or other funds.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments-Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**TOWNSHIP OF MARCELLUS
CASS COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

Receivables and Payables-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied each July for State Education Tax, and on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent in the following September and March of the respective year, at which time penalties and interest are assessed.

Inventories and Prepaid Items-Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	30 to 40 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Fire Equipment	07 to 25 years
Vehicles	03 to 05 years
Office Equipment	05 to 07 years
Computer Equipment	03 to 07 years

Compensated Absences (Vacation and Sick Leave)-It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Compensated absences and unpaid vacations were considered but not accrued due to immateriality in amount.

Fund Equity-In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**TOWNSHIP OF MARCELLUS
CASS COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Government-wide financial statements differ from the Governmental fund financial statements for the effect of the inclusion of capital assets and long term debts.

Capitalized Asset Costs	\$	88,319
Less Accumulated Depreciation		<u>(27,742)</u>
Capital Assets, net		60,577
Governmental Fund Balances		<u>320,629</u>
Net Assets of Governmental Activities	\$	<u>381,206</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information-The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year. These budgets are adopted on a basis consistent with generally accepted accounting principles.
2. The Township Board approves, by ordinance, total budget appropriations only. Any revisions that alter the total appropriations of any fund must be approved by the Township Board, therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, etc.).
3. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds-During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund - Building and Grounds	10,250	11,264
General Fund - Attorney	2,000	5,183
General Fund - Cemetery	34,350	38,805
General Fund - Transfer Station	3,000	4,227
Fire - Fire & Ambulance	102,725	136,995

Fund Deficits-The Local Governmental Unit has no accumulated fund balance deficits at this time.

**TOWNSHIP OF MARCELLUS
CASS COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 4 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government of federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Board has designated several banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority.

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Total Government</u>	<u>Component Units</u>
Cash & Cash Equivalents	\$ 282,696	\$ 282,696	\$123,010

The breakdown between deposits and investments is as follows:

	<u>Total Government</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 282,696	\$123,010
Investments in Securities, Mutual Funds and Similar Vehicles	-	-
Petty Cash and Cash on Hand	-	-
Total	<u>\$ 282,696</u>	<u>\$ 123,010</u>

The book balance of the total government's deposits is \$405,706 of which \$353,558 is covered by federal depository insurance.

**TOWNSHIP OF MARCELLUS
CASS COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 5 - RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are reported in the Government Wide Statement of Net Assets as follows:

	General Fund	Road Fund	Fire & Ambulance Fund	Police Fund	Non Major & Other Funds	Total
Taxes receivable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State share revenues receivable	33,517	0	0	0	0	33,517
Permit revenues receivable	0	0	0	0	1,356	1,356
Due from other funds	152	0	0	\$ 750	7,087	7,989
Less: Allowance for uncollectibles	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Receivables	<u>\$ 33,669</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 750</u>	<u>\$ 8,443</u>	<u>\$ 42,862</u>

**TOWNSHIP OF MARCELLUS
CASS COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 5,000	\$ 0	\$ 0	\$ 5,000
Subtotal	<u>5,000</u>	<u>0</u>	<u>0</u>	<u>5,000</u>
Capital Assets Being Depreciated				
Buildings	63,750	0	0	63,750
Improvements other than buildings	10,399	3,590	0	13,989
Machinery and equipment	5,051	529	0	5,580
Subtotal	<u>79,200</u>	<u>4,119</u>	<u>0</u>	<u>83,319</u>
Less Accumulated Depreciation for				
Buildings	18,750	1,500	0	20,250
Improvements other than buildings	3,467	852	0	4,319
Machinery and equipment	2,132	1,041	0	3,173
Subtotal	<u>24,349</u>	<u>3,393</u>	<u>0</u>	<u>27,742</u>
Net Capital Assets Being Depreciated	<u>54,851</u>	<u>726</u>	<u>0</u>	<u>55,577</u>
Governmental Activities Capital Total				
Capital Assets-Net of Depreciation	<u>\$ 59,851</u>	<u>\$ 726</u>	<u>\$ 0</u>	<u>\$ 60,577</u>

The Township assets have been evaluated according to GASB 34 guidelines. The Township owns cemetery property and an old school house where historical cost values are unknown. These assets are fully depreciated, as applicable, with unknown salvage values. The most recent asset acquisitions are recorded and depreciated.

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General government	\$ 3,393
Public safety	-
Public works	-
Economic development	-
Recreation and culture	-
Total Governmental Activities	<u>\$ 3,393</u>

**TOWNSHIP OF MARCELLUS
CASS COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 6 - CAPITAL ASSETS (Continued)

Capital asset activity

Component Units	Beginning Balance	Additions	Deletions	Ending Balance
Wood Memorial Library	\$ 485,238	\$ 30,652	\$ 0	\$ 515,890
Hudson Memorial Building	138,927	15,846	0	154,773
Less Accumulated Depreciation	<u>(218,419)</u>	<u>(36,883)</u>	<u>0</u>	<u>(255,302)</u>
Net Book Value	\$ 405,746	\$ 9,615	\$ 0	\$ 415,361

The component units maintain separate facilities. The original structures were donated over 30 years ago. Building improvements have occurred over time. Most recently, the Library has completed a new addition to the original structure. Library books and other materials are considered material assets as a group and were included in capital asset totals.

Depreciation expense was changed to programs of the component units as follows:

Wood Memorial Library	\$ 30,089
Hudson Memorial Building	<u>6,795</u>
Total Culture & Recreation Activities	\$ 36,884

**TOWNSHIP OF MARCELLUS
CASS COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 7 - INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

The composition of interfund balances is as follows:

<u>Due To/From Other Funds</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Receivable Fund</u>		
General Fund	Tax Collection	152
Police Fund	Liquor Enforce	750
Building & Inspection Fund	General Fund	135
Liquor Law Enforcement	General Fund	<u>6,952</u>
Total primary government		<u>7,989</u>
Grand total		<u>\$ 7,989</u>

Interfund Transfers

<u>Transfers In</u>	<u>Transfers (Out)</u>		<u>Total</u>
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	
Police Fund	0	1,500	1,500
Fire Special Millage Fund	<u>46,724</u>	<u>0</u>	<u>46,724</u>
Total	<u>\$ 46,724</u>	<u>\$ 1,500</u>	<u>\$ 48,224</u>

Liquor control funds were transferred to the Police Fund, to prepare for payment to the local police agency for liquor control.

The fire and ambulance activity is supported by the General Fund to assist with operating needs.

**TOWNSHIP OF MARCELLUS
CASS COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 8 - INTERGOVERNMENTAL CONTRACT

The Township is a constituent unit of the Marcellus Area Emergency Services Association (MAESA). The Association was formed August 17, 1993, by joint resolution of the Village of Marcellus. MAESA provides fire protection and ambulance/rescue service to residents within and around the municipalities. Operating charges are supported by contribution from the participating local units, that take into account their respective state equalized values and charges for service. Marcellus Township paid \$8,495 for annual ambulance services, \$38,228 for fire contract services and \$90,252 as contributions to MAESA for equipment purchases during the fiscal year ended June 30, 2007.

NOTE 9 - BUILDING INSPECTION SERVICES

Public Act 245 of 1999 became effective January 1, 2000. This construction code act specified that a statewide code would apply to the plumbing, electrical, mechanical and building codes, dictating the township's involvement in these services. The Township of Marcellus provides this service through Marcellus Township Services for Building Inspection services. Marcellus Township receives income from services provided, and pays out this same expense directly to Marcellus Township Services. The special revenue fund exists showing a break even balance.

REQUIRED SUPPLEMENTAL INFORMATION

**TOWNSHIP OF MARCELLUS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2007**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	\$ 90,648	\$ 90,648	\$ 90,648	\$ 0
Resources (Inflows)				
Property taxes	71,000	71,000	76,165	5,165
State aid	110,000	110,000	108,044	(1,956)
Licenses and permits	0	0	0	0
Charges for services	13,375	13,375	18,133	4,758
Interest and rentals	1,000	1,000	1,083	83
Miscellaneous revenues	10,050	10,050	3,761	(6,289)
Transfers from other funds	0	0	0	0
Amounts Available for Appropriation	296,073	296,073	297,834	1,761
Charges to Appropriations (Outflows)				
General Government				
Township board	28,850	28,850	22,353	6,497
Supervisor	8,500	8,500	8,400	100
Finance	13,625	13,625	11,926	1,699
Treasurer	17,400	17,400	17,452	(52)
Assessing	20,700	20,700	19,000	1,701
Clerk	11,900	11,900	11,463	437
Elections	2,500	5,100	5,214	(114)
Other General Government				
Building and grounds	10,250	10,250	11,264	(1,014)
Attorney	2,000	2,000	5,183	(3,183)
Cemetery	34,350	34,350	38,805	(4,455)
Public Works				
Transfer station	3,000	3,000	4,227	(1,227)
Community/Economic development	2,150	2,150	1,577	573
Capital outlay	3,000	6,000	4,119	1,881
Transfers to other funds	46,725	46,725	46,724	1
Total Charges to Appropriations	204,950	210,550	207,707	2,843
Budgetary Fund Balance-June 30	\$ 91,123	\$ 85,523	\$ 90,127	\$ 4,604

**TOWNSHIP OF MARCELLUS
BUDGETARY COMPARISON SCHEDULE
MAJOR ROAD FUND
YEAR ENDED JUNE 30, 2007**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Beginning of Year Fund Balance	\$ 125,895	\$ 125,895	\$ 125,895	\$ 0
Resources (Inflows)				
Property taxes	56,000	56,000	55,094	\$ (906)
State aid	0	0	3,866	\$ 3,866
Interest income	1,500	1,500	5,918	\$ 4,418
Other	27,000	27,000	114	\$ (26,886)
Amounts Available for Appropriation	<u>210,395</u>	<u>210,395</u>	<u>190,887</u>	<u>(19,507)</u>
Charges to Appropriation (Outflows)				
Public Works				
Roads	<u>113,500</u>	<u>113,500</u>	<u>35,582</u>	<u>77,919</u>
Total Charges to Appropriations	<u>113,500</u>	<u>113,500</u>	<u>35,582</u>	<u>77,919</u>
Budgetary Fund Balance-June 30	<u>\$ 96,895</u>	<u>\$ 96,895</u>	<u>\$ 155,305</u>	<u>\$ 58,411</u>

**TOWNSHIP OF MARCELLUS
BUDGETARY COMPARISON SCHEDULE
FIRE AND AMBULANCE FUND
YEAR ENDED JUNE 30, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Beginning of Year Fund Balance	\$ 41,647	\$ 41,647	\$ 41,647	\$ 0
Resources (Inflows)				
Taxes and penalties	56,000	56,000	56,518	518
Interest income	1,500	1,500	975	(525)
Transfers from other funds	<u>46,725</u>	<u>46,725</u>	<u>46,724</u>	<u>(1)</u>
Amounts Available for Appropriation	<u>145,872</u>	<u>145,872</u>	<u>145,864</u>	<u>(8)</u>
Charges to Appropriations (Outflows)				
Public Safety				
Fire and ambulance	<u>102,725</u>	<u>102,725</u>	<u>136,995</u>	<u>(34,270)</u>
Total Charges to Appropriations	<u>102,725</u>	<u>102,725</u>	<u>136,995</u>	<u>(34,270)</u>
Budgetary Fund Balance-June 30	<u>\$ 43,147</u>	<u>\$ 43,147</u>	<u>\$ 8,869</u>	<u>\$ (34,278)</u>

**TOWNSHIP OF MARCELLUS
BUDGETARY COMPARISON SCHEDULE
MAJOR POLICE FUND
YEAR ENDED JUNE 30, 2007**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Beginning of Year Fund Balance	\$ 43,510	\$ 43,510	\$ 43,510	\$ 0
Resources (Inflows)				
Taxes and penalties	84,000	84,000	82,477	(1,523)
Interest	1,500	1,500	2,070	570
Transfers from other funds	<u>0</u>	<u>0</u>	<u>1,500</u>	<u>1,500</u>
Amounts Available for Appropriation	<u>129,010</u>	<u>129,010</u>	<u>129,557</u>	<u>547</u>
Charges to Appropriations (Outflows)				
Public Safety				
Police/sheriff	<u>90,730</u>	<u>90,730</u>	<u>83,431</u>	<u>7,299</u>
Total Charges to Appropriations	<u>90,730</u>	<u>90,730</u>	<u>83,431</u>	<u>7,299</u>
Budgetary Fund Balance-June 30	<u>\$ 38,280</u>	<u>\$ 38,280</u>	<u>\$ 46,126</u>	<u>\$ 7,846</u>

ADDITIONAL INFORMATION

TOWNSHIP OF MARCELLUS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Fund			Permanent Cemetery Fund	Total Non-Major Governmental Funds
	Building & Inspection	Liquor Law Enforcement			
Assets					
Cash and cash equivalents	\$ 0	\$ 0	\$ 14,000	\$ 14,000	
Investments	0	0	0	0	
Receivables - net	1,356	0	0	1,356	
Due from other funds	135	6,952	0	7,087	
Total Assets	\$ 1,491	\$ 6,952	\$ 14,000	\$ 22,443	
Liabilities and Fund Equity					
Liabilities					
Accounts payable	\$ 1,491	\$ 0	\$ 0	\$ 1,491	
Due to other funds	0	750	0	750	
Total Liabilities	1,491	750	0	2,241	
Fund Balance					
Reserved	0	6,202	14,000	20,202	
Unreserved	0	0	0	0	
Total Fund Equity	0	6,202	14,000	20,202	
Total Liabilities and Fund Equity	\$ 1,491	\$ 6,952	\$ 14,000	\$ 22,443	

TOWNSHIP OF MARCELLUS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Fund			Total Non-Major Governmental Funds
	Building & Inspection	Liquor Law Enforcement	Permanent Cemetery Fund	
Revenues				
Taxes and penalties	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and permits	13,969	0	0	13,969
State Aid	0	770	0	770
Total Revenues	13,969	770	0	14,739
Expenditures				
Current				
Public safety	13,969	0	0	13,969
Cemetery	0	0	0	0
Total Expenditures	13,969	0	0	13,969
Excess of Revenues Over (Under) Expenditures	0	770	0	770
Other Financing Sources (Uses)				
Operating transfers in	0	0	0	0
Operating transfers (out)	0	(1,500)	0	(1,500)
Total Other Financing Sources (Uses)	0	(1,500)	0	(1,500)
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	0	(730)	0	(730)
Fund Balance-July 1, 2006	0	6,932	14,000	20,932
Fund Balance-June 30, 2007	\$ 0	\$ 6,202	\$ 14,000	\$ 20,202

ANGLE & STEFFES, P.C.

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December 12, 2007

In planning and performing our audit of the Financial Statements of the Township of Marcellus for the year ended June 30, 2007, we considered the Township's internal control structure to determine audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are an opportunity to strengthen internal control and increase operating efficiency. We offer the following items for your consideration.

Excess of Expenditures Over Appropriations

Public Act 621 of 1978, section 18(1) as amended, provides that the Township shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a line functional basis. The approved budgets of the Township for these budgetary funds were adopted to the line item level.

During the year ended June 30, 2007, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund - Building & Inspection	\$10,250	\$11,264
General Fund - Attorney	2,000	5,183
General Fund - Cemetery	34,350	38,805
General Fund - Transfer Station	3,000	4,227
Fire Fund - Fire & Ambulance	102,725	136,995

The Township is evaluating its budget on a regular basis, however, diligence is required to monitor and amend the budget as needed, when new facts and circumstances require its amendment.

Uninsured Funds

The Township and component units utilize two banks, with a total of \$52,148 over the federally insured level as of June 30, 2007. We recommend that no more than \$200,000 be maintained in any one bank, \$100,000 limit each in savings and checking accounts, to avoid risk of uninsured losses that may occur. It is noted that the accounts were diversified since the last audit.

Interest bearing accounts

We recommend that all checking accounts be evaluated, so that all possible are converted to interest bearing accounts. We have noted that the Tax Collection accounts were not interest bearing. State cutbacks make it necessary to monitor all money resources and management. Your consideration to this matter is recommended.

General

In general the internal control systems of the Township are good and functioning properly. The comments noted above will help the Township strengthen the existing controls and will help provide greater accountability to residents of the Township.

We greatly appreciate the help and cooperation given us by all Township employees and officials.

Respectfully submitted,

Angle & Steffes, P.C.
Certified Public Accountants