# VILLAGE OF MARION, MICHIGAN

## FINANCIAL STATEMENTS

## FEBRUARY 29, 2008

Michigan Department of Treasury
496 (Rev.06/08)

# Auditing Procedures Report

Instructions and MuniCodes | *=Required Fields | Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.06)

| | | | |
|---|---|---|---|
| Unit Name* VILLAGE OF MARION, MICHIGAN | County* OSCEOLA | Type VILLAGE | MuniCode* 67-3-030 |
| Opinion Date-Use Calendar* AUG 27, 2008 | Audit Submitted-Use Calendar* AUG 29, 2008 | Fiscal Year End Month* 02 | Fiscal Year 2008 |

If a local unit of government (authorities & 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, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

**Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."**

- [x] ? 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- [x] ? 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- [ ] ? 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- [x] ? 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- [x] ? 5. Did the local unit adopt a budget for all required funds?
- [x] ? 6. Was a public hearing on the budget held in accordance with State statute?
- [x] ? 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- [x] ? 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- [x] ? 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- [x] 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- [x] ? 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- [x] ? 12. Is the local unit free of repeated reported deficiencies from previous years?
- [x] ? 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
- [x] 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- [x] ? 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- [x] ? 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- [ ] ? 18. Are there reported deficiencies? [ ] 19. If so, was it attached to the audit report?

| | | | |
|---|---|---|---|
| General Fund Revenue: ? | $ 477,500.00 | General Fund Balance: ? | $ 210,474.00 |
| General Fund Expenditure: ? | $ 365,494.00 | Governmental Activities Long-Term Debt (see instructions): ? | $ 1,603,383.00 |
| Major Fund Deficit Amount: | $ 0.00 | | |

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

| | | | | |
|---|---|---|---|---|
| CPA (First Name)* RICHARD | Last Name* WILSON | Ten Digit License Number 1101013196 | | |
| CPA Street Address* 5201 S MISSION RD | City* MT PLEASANT | State I | Zip Code* 48858 | Telephone* +1 (989) 773-6449 |
| CPA Firm Name* WILSON, SHARRAR & FREE | Unit's Street Address* 118 E MAIN | Unit's City* MARION | Unit's Zip* 49665 | |

VILLAGE OF MARION, MICHIGAN

FEBRUARY 29, 2008

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WILSON,
SHARRAR &
FREEZE, P.C.

Certified Public Accountants

Independent Auditors' Report

To The President and Village Council
Village of Marion, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Marion, Michigan, as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Marion, Michigan's management. 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 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 opinion.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Marion, Michigan, as of February 29, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis information on pages ii through x and budgetary comparison information on pages 35 and 36 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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P.O. Box 788 ■ 426 N. First Street ■ Suite 102 ■ Harrison, Michigan 48625 ■ (989) 539-2620

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Marion, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Wilson, Sharrar & Freeze, P.C.

Wilson, Sharrar & Freeze, P.C.
August 27, 2008

# VILLAGE OF MARION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR YEAR ENDED FEBRUARY 29, 2008

The management of the Village of Marion, Michigan ("Village") offers this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 29, 2008 for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Village's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

### Financial Highlights

Government-Wide

- The assets of the Village exceeded its liabilities at the close of this fiscal year by $2,362,005 (shown as *Net Assets),* representing an increase of $22,328 over the previous fiscal year. Governmental Funds had an increase of $107,517 for the year, while Business-Type activities had a decrease of $85,189 of the net increase of $22,328.

Fund Level Financial Highlights

- As of February 29, 2008 the governmental funds of the Village of Marion reported combined ending fund balances of $349,793 of which $256,407 is unreserved.

- The unreserved fund balance of the Village's General Fund increased this year to $210,474 or 58.0% of total general fund expenditures.

Long-Term Debt

- The Village of Marion's total debt decreased by $69,466 during the fiscal year.

### Overview of the Financial Statements

The Village of Marion's financial statements consist if three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements in this report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide a broad overview of the Village's financial position. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the Village as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

VILLAGE OF MARION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED FEBRUARY 29, 2008

The *Statement of Net Assets* (Pages 1-2) presents information on all of the Village's assets and liabilities, the difference between the two being reported as the Net Assets of the Village. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* (page 3) gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the Village that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges(business-type activities). Governmental activities of the Village include general government, public safety, major and local streets, public works, culture and recreation. Business-Type activities of the Village include water and sewer utility services.

Focus on Funds

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather that the previous focus on fund types. The Village's major Governmental Funds include the General Fund, Major Street Fund, Local Street Fund and the 2002 General Obligation Unlimited Tax Bonds Debt Retirement Fund. The major Proprietary Funds include the Water and Sewer Funds. Presentation of major funds can be found on pages 4, 6 and 8 of this document.

A fund is grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Village of Marion uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds* many of the Village's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund

statements on the Statement of Revenues, Expenditures and Changes in fund Balance as expenditures. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. Governmental funds of the Village include the General Fund, Special Revenue Funds, Debt Retirement Fund and Capital Project Funds.

*Proprietary Funds* proprietary funds account for services for which the Village charges its customers for the services they are provided. These charges are to external customers. There are two types of proprietary funds:

- Enterprise funds are used to report business like activities of the Village. These activities intend to recover the full cost of the services through the fee charges to the customers. The Village has two enterprise funds, which are the Water Fund and Sewer Fund.

*Fiduciary Funds* fiduciary funds are used to account for resources held for the benefit of parties outside government. The Village of Marion has no fiduciary funds.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found beginning on page 13 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements. This information can be found beginning on page 36 of this report.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Village's financial position over time. The Net Assets of the Village are $2,362,005 at February 29, 2008 meaning that the Village's assets were greater than its liabilities by this amount.

# VILLAGE OF MARION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR YEAR ENDED FEBRUARY 29, 2008

Village of Marion
Net Assets
(amounts are expressed in thousands)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Current and Other Assets | 413 | 304 | 139 | 123 | 552 | 427 |
| Capital Assets | 819 | 864 | 2,626 | 2,725 | 3,445 | 3,589 |
| **Total Assets** | 1,232 | 1,168 | 2,765 | 2,848 | 3,997 | 4,016 |
| Long-term Liabilities | 1,558 | 1,603 | - | - | 1,558 | 1,603 |
| Other Liabilities | 75 | 73 | 1 | - | 76 | 73 |
| **Total Liabilities** | 1,633 | 1,676 | 1 | - | 1,634 | 1,676 |
| Net Assets | | | | | | |
| Invested in Capital Assets Net of Related Debt | 819 | 863 | 2,626 | 2,725 | 3,445 | 3,588 |
| Restricted for Debt Services | 70 | 66 | - | - | 70 | 66 |
| Unrestricted | (1,290) | (1,437) | 138 | 123 | (1,152) | (1,314) |
| **Total Net Assets** | (401) | (508) | 2,764 | 2,848 | 2,363 | 2,340 |

The most significant portion of the Village's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Village used to acquire or construct the asset. The Village has $(1,152,390) in unrestricted Net Assets. The negative unrestricted Net Assets are the result of $1,603,383 of bonds payable that will be maturing over the next 26 years.

The total net assets of the Village increased $22,328 in this fiscal year. The following table illustrates and summarizes the results of the changes in the Net Assets for the Village. The condensed information was derived from the government-wide Statement of Activities.

# VILLAGE OF MARION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR YEAR ENDED FEBRUARY 29, 2008

Village of Marion
Changes in Net Assets
(amounts are expressed in thousands)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| Revenues | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| **Program Revenues** | | | | | | |
| Charges for Services | 40 | 40 | 163 | 160 | 203 | 200 |
| Capital Grands and Contributions | - | - | - | - | | - |
| **General Revenue** | | | | | | |
| Property Taxes | 229 | 224 | - | - | 229 | 224 |
| State Shared Revenue | 200 | 200 | - | - | 200 | 200 |
| Unrestricted Invesment Earnings | 7 | 7 | 8 | 7 | 15 | 14 |
| Other | 178 | 57 | - | - | 178 | 57 |
| **Total Revenues** | 654 | 528 | 171 | 167 | 825 | 695 |
| Expenses | | | | | | |
| Legislative | 23 | 23 | - | - | 23 | 23 |
| General Government | 99 | 96 | - | - | 99 | 96 |
| Public Safety | 59 | 60 | - | - | 59 | 60 |
| Planning Commission | 1 | 1 | - | - | 1 | 2 |
| Public Works | 260 | 206 | - | - | 260 | 206 |
| Recreation and Culture | 21 | 23 | - | - | 21 | 23 |
| Other Functions | 43 | 52 | - | - | 43 | 52 |
| Water and Sewer | - | - | 256 | 261 | 256 | 261 |
| Debt Service Interest | 40 | 41 | - | - | 40 | 41 |
| **Total Expense** | 546 | 503 | 256 | 261 | 802 | 764 |
| Increase (Decrease) in Net Assets | 108 | 25 | (85) | (94) | 23 | (69) |
| Beginning Net Assets | (509) | (534) | 2,848 | 2,943 | 2,339 | 2,409 |
| Ending Net Assets | (401) | (509) | 2,763 | 2,849 | 2,362 | 2,340 |

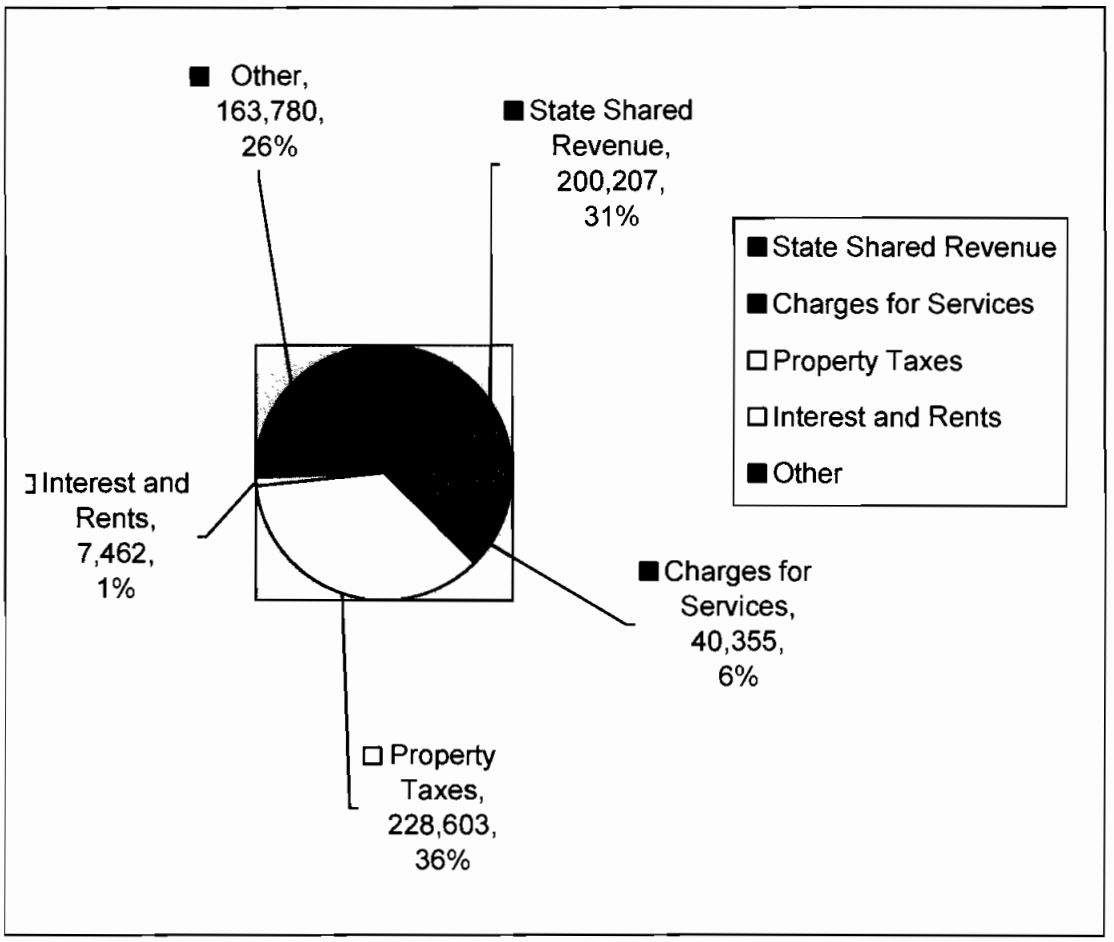
VILLAGE OF MARION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED FEBRUARY 29, 2008

Governmental Activities
The following chart details the revenue sources for the governmental activities of the Village for the fiscal year ended February 29, 2008.

Revenues-Governmental Activities
Fiscal Year Ended February 29, 2008



# VILLAGE OF MARION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR YEAR ENDED FEBRUARY 29, 2008

The most significant portion of the revenue for all governmental activities of the Village of Marion comes from Property Taxes (36%). The Village's operating millage for 2007 was 12.1857 mills.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. In 2007 the amount of the state shared revenue received by the Village increased by $118.

The Village's governmental activities expenses are dominated by the Public Works expenses that total 41% of the total expenses. The Village spent $259,738 in fiscal year 2008 on Public Works. General Government represented the next largest expense at $98,755 or 18% of total expenses within the governmental activities.

Business-Type Activities
These activities accounted for a decrease of $85,189 in the Village's Net Assets.

The Business-Type activities of the Village include the Water Fund and Server Fund which provide water and sewer utility services to Village residents as well as commercial customers.

Financial Analysis of the Government's Funds

*Governmental Activities* At the completion of the Village's fiscal year ended February 28, 2008 its governmental funds reported fund balances of $326,282. Of this amount, $256,407, or 79% is unreserved. Of this amount $37,051 of unreserved and undesignated fund balance exists in the Village's Major and Local Street funds. $69,875 of the remaining fund balance of the governmental funds is reserved for specific purposes and is therefore not available for new appropriation.

General Fund - The General Fund is the main operating fund of the Village. The General Fund increased its fund balance in this fiscal year by $112,006, bringing the balance to $210,474. The General Funds only major functions that ended the year with expenditures above appropriated amounts were the Village President, Clerk and Planning Commision. Property tax revenues in the General Fund increased $4,969 in 2007, an increase of 3%.

Major Street Fund – The fund balance of the Major Street ended the year at $20,215. This was a decrease of $12,657 from the previous year.

Local Street Fund – The fund balance of this fund is at $16,836, an increase of $3,663, during this fiscal year. The Major Street Fund transferred $15,000 to the Local Street Fund to assist with local street projects.

Water Supply System – the Water Supply System ended this fiscal year with $81,990 in unrestricted net assets. The total operating revenues of the fund increased from $117,577 in 2007 to $120,723 in 2008. The net assets of the fund decreased by $42,036 mainly due to annual depreciation of $55,474.

Sewage Disposal System – The Sewage Disposal System ended this fiscal year with $55,576 in unrestricted net assets. The total operating revenues decreased from $42,711 in 2007 to $42,522 in 2008. The net assets of the fund decreased $43,153. This is primarily attributable to depreciation of $46,254.

Capital Asset and Debt Administration

Capital Assets. The Village's investment in capital assets for the governmental and business-type activities as of February 29, 2008 amounted to $3,445,060 (net of accumulated depreciation). Capital assets of the Village include any items purchased that cost in excess of $1,000 and have an expected useful life of over one year. The Village has invested in a broad range of capital assets, as detailed below:

Village of Marion
Capital Assets as of February 29, 2008
(amounts are expressed in thousands)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Land and Land Improvements | 242 | 242 | 38 | 38 | 280 | 280 |
| Infrastructure | 719 | 623 | 3,944 | 3,911 | 4,663 | 4,534 |
| Building | 303 | 297 | 20 | 20 | 323 | 317 |
| Machinery and Equipment | 223 | 198 | 87 | 80 | 310 | 278 |
| Vehicles | 85 | 85 | - | - | 85 | 85 |
| Subtotal | 1,572 | 1,445 | 4,089 | 4,049 | 5,661 | 5,494 |
| Accumulated Depreciation | (753) | (652) | (1,463) | (1,260) | (2,216) | (1,912) |
| Net Capital Assets | 819 | 793 | 2,626 | 2,789 | 3,445 | 3,582 |

Major capital asset events during the fiscal year ended February 29, 2008 including the following:

- Purchase of Handicapped Doors $3,032.
- Building Exterior Repair and Paint $2,760.
- Video System for Police Vehicle $5,220.

Additional information regarding the Village's capital assets can be found in the Notes to Financial Statements section on pages 22-26.

Long Term Debt – As of February 29, 2008, the Village had total bonded debt outstanding of $1,648,383. Six mills will be levied to generate the revenue necessary to pay bond principal and interest.

Village of Marion Outstanding Debt
General Obligation and Revenue Bonds
As of February 29, 2008

| | Governmental Activities | Business-Type Activities | Total Primary Government |
|---|---|---|---|
| General Obligation Bonds | $ 1,648,383 | $ - | $ 1,648,383 |

More information on the Village's long-term debt is available in the Notes to Financial Statements section of this document, on pages 29-31.

Contacting the Village's Finance Department

This financial report is designed to provide the wide variety of Village's use of this document with a general overview of the Village's finances and demonstrate the Village's accountability for the money entrusted to it. If you have any questions regarding this report or need addition financial information, please direct your request to the Village of Marion, Village Clerk, 118 E, Main St, Marion, Michigan 49665 or call us at (231) 743-6801.

VILLAGE OF MARION, MICHIGAN
Statement of Net Assets
February 29, 2008

| | Primary Government | | | |
|---|---|---|---|---|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | COMPONENT UNITS |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash | $ 282,119 | $ 138,862 | $ 420,981 | $ 340,536 |
| Receivables | 130,639 | - | 130,639 | 16,273 |
| TOTAL CURRENT ASSETS | $ 412,758 | $ 138,862 | $ 551,620 | $ 356,809 |
| CAPITAL ASSETS | | | | |
| Capital Assets | $ 1,572,373 | $ 4,088,434 | $ 5,660,807 | $ 1,709,659 |
| Less Accumulated Depreciation | (753,024) | (1,462,723) | (2,215,747) | (832,036) |
| TOTAL CAPITAL ASSETS | $ 819,349 | $ 2,625,711 | $ 3,445,060 | $ 877,623 |
| TOTAL ASSETS | $ 1,232,107 | $ 2,764,573 | $ 3,996,680 | $ 1,234,432 |
| LIABILITIES AND NET ASSETS | | | | |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts Payable | $ 7,731 | $ 1,296 | $ 9,027 | $ 1,941 |
| Payroll Taxes and Retirement Payable | 5,572 | - | 5,572 | 633 |
| Accured Interest Payable | 16,693 | - | 16,693 | 1,196 |
| Current Portion of Non-Current Liabilities | 45,000 | - | 45,000 | 24,943 |
| TOTAL CURRENT LIABILITIES | $ 74,996 | $ 1,296 | $ 76,292 | $ 28,713 |
| NON CURRENT LIABILITIES | | | | |
| Bonds Payable | $ 1,603,383 | $ - | $ 1,603,383 | $ - |
| Capitalized Lease Payable | - | - | - | 28,368 |
| Team Loan Payable | - | - | - | 32,000 |
| Less Current Portion of Non Current Liabilities | (45,000) | - | (45,000) | (24,943) |
| TOTAL NON CURRENT LIABILITIES | $ 1,558,383 | $ - | $ 1,558,383 | $ 35,425 |
| TOTAL LIABILITIES | $ 1,633,379 | $ 1,296 | $ 1,634,675 | $ 64,138 |

The Notes To These Financial Statements Are An Integral Part Of This Statement.

VILLAGE OF MARION, MICHIGAN
Statement of Net Assets
February 29, 2008

| | Primary Government | | | |
|---|---|---|---|---|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITES | TOTAL | COMPONENT UNITS |
| NET ASSETS | | | | |
| Invested In Capital Assets Net Of Related Debt | $ (784,034) | $ 2,625,711 | $ 1,841,677 | $ 817,255 |
| Restricted For: | | | | |
| Debt Service | 69,875 | - | 69,875 | - |
| Unrestricted | 312,887 | 137,566 | 450,453 | 353,039 |
| TOTAL NET ASSETS | $ (401,272) | $ 2,763,277 | $ 2,362,005 | $ 1,170,294 |
| TOTAL LIABILITIES AND NET ASSETS | $ 1,232,107 | $ 2,764,573 | $ 3,996,680 | $ 1,234,432 |

The Notes To These Financial Statements Are An Integral Part Of This Statement.

# Statement of Activities
## Year Ended February 29, 2008

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAMS REVENUES: CHARGES FOR SERVICES | PROGRAMS REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS | NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS – PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES | BUSINESS TYPE ACTIVITIES | TOTALS | COMPONENT UNITS |
|---|---|---|---|---|---|---|---|
| Primary Government | | | | | | | |
| Governmetal Activities | | | | | | | |
| Legislative | $ 22,732 | $ - | $ - | $ (22,732) | $ - | $ (22,732) | $ - |
| General Government | 98,755 | 25,873 | - | (72,882) | - | (72,882) | - |
| Public Safety | 59,419 | - | - | (59,419) | - | (59,419) | - |
| Planning Commission | 1,200 | 85 | - | (1,115) | - | (1,115) | - |
| Public Works | 259,738 | - | - | (259,738) | - | (259,738) | - |
| Recreation And Culture | 20,947 | 14,397 | - | (6,550) | - | (6,550) | - |
| Other Functions | 43,465 | - | - | (43,465) | - | (43,465) | - |
| Debt Services Interest | 40,347 | - | - | (40,347) | - | (40,347) | - |
| Total Governmental Activites | $ 546,603 | $ 40,355 | $ - | $ (506,248) | $ - | $ (506,248) | $ - |
| Business-Type Activites | | | | | | | |
| Water | $ 152,092 | $ 120,723 | $ - | $ - | $ (31,369) | $ (31,369) | $ - |
| Sewer | 90,550 | 42,522 | - | - | (48,028) | (48,028) | - |
| Total Business-Type Activites | $ 242,642 | $ 163,245 | $ - | $ - | $ (79,397) | $ (79,397) | $ - |
| Total Primary Government | $ 789,245 | $ 203,600 | $ - | $ (506,248) | $ (79,397) | $ (585,645) | $ - |
| Component Units | | | | | | | |
| Marion Community Fire Department | $ 111,322 | $ 9,175 | $ - | | | | $ (102,247) |
| Downtown Development Authority | 22,491 | - | - | | | | (22,491) |
| Marion Public Library | 81,109 | 1,433 | - | | | | (79,676) |
| Total Component Units | $ 214,922 | $ 10,608 | $ - | | | | $ (204,414) |
| General Revenues | | | | | | | |
| Property Taxes | | | | $ 228,603 | $ - | $ 228,603 | $ 28,425 |
| State-Shared Revenues | | | | 200,207 | - | 200,207 | 37,773 |
| Contributions From Local Units | | | | - | - | - | 76,529 |
| Fines and Forfeits | | | | 22 | - | 22 | 492 |
| Interest And Rents | | | | 7,462 | 7,921 | 15,383 | 20,609 |
| Other Revenues | | | | 163,758 | - | 163,758 | 36,258 |
| Intergovermental Revenues | | | | 13,713 | (13,713) | - | 38,223 |
| Total General Revenues And Transfers | | | | $ 613,765 | $ (5,792) | $ 607,973 | $ 238,309 |
| Change in Net Assets | | | | $ 107,517 | $ (85,189) | $ 22,328 | $ 33,895 |
| Net Assets-Beginning of Year | | | | (508,789) | 2,848,466 | 2,339,677 | 1,136,399 |
| Net Assets-End of Year | | | | $ (401,272) | $ 2,763,277 | $ 2,362,005 | $ 1,170,294 |

The Notes to the Financial Statements are an Integral Part of this Statement.

# Governmental Fund Balance Sheet
February 29, 2008

| | General Fund | Major Street Fund | Local Street Fund | 2002 General Obligation Unlimited Tax Bonds Debt Retirement Fund | Non- Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash | $ 189,052 | $ 4,506 | $ 9,804 | $ 69,875 | $ 8,882 | $ 282,119 |
| Receivables-Net | | | | | | |
| Property Taxes | 25,521 | - | - | - | - | 25,521 |
| Due From Other Governments | 19,297 | 8,408 | 4,240 | - | - | 31,945 |
| Due From Other Funds | - | 7,358 | 2,850 | - | - | 10,208 |
| Total Assets | $ 233,870 | $ 20,272 | $ 16,894 | $ 69,875 | $ 8,882 | $ 349,793 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITES | | | | | | |
| Accounts Payable | $ 7,616 | $ 57 | $ 58 | $ - | $ - | $ 7,731 |
| Due to Other Funds | 10,208 | - | - | - | - | 10,208 |
| Payroll Taxes And Retirement Payable | 5,572 | - | - | - | - | 5,572 |
| Total Liabilities | $ 23,396 | $ 57 | $ 58 | $ - | $ - | $ 23,511 |
| FUND BALANCE | | | | | | |
| Reserved For Debt Service | $ - | $ - | $ - | $ 69,875 | $ - | $ 69,875 |
| Unreserved, Undesignated | 210,474 | 20,215 | 16,836 | - | 8,882 | 256,407 |
| Total Fund Balances | $ 210,474 | $ 20,215 | $ 16,836 | $ 69,875 | $ 8,882 | $ 326,282 |
| Total Liabilities and Fund Balances | $ 233,870 | $ 20,272 | $ 16,894 | $ 69,875 | $ 8,882 | $ 349,793 |

The Notes To The Financial Statements Are An Intergral Part Of This Statement.

VILLAGE OF MARION, MICHIGAN
Reconciliation of Balance Sheet of Governmental Funds to the
Statement of Net Assets
February 29, 2008

| | | |
|---|---|---|
| Total Governmental Fund Balances | | $ 326,282 |
| 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 Not Reported In The Funds | | |
| Cost Of Capital Assets | $ 1,572,373 | |
| Accumulated Depreciaton | (753,024) | 819,349 |
| Long-term Receivables Not Collectible In The Current Period Are Not Reported In The Funds | | 72,272 |
| Accured Interest Receivable On The Long Term Receivables Are Not Reported In The Funds | | 901 |
| Long-Term Liabilities Are Not Due And Payable In The Current Period And Are Not Reported In The Fund | | (1,603,383) |
| Accured Interest Payable On Long-Term Debt Is Not Reported In The Funds | | (16,693) |
| Net Assets of Governmental Activites | | $ (401,272) |

The Notes to the Financial Statements are an Integral Part of this Statement

# VILLAGE OF MARION, MICHIGAN
## Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances
## Year Ended February 29, 2008

| | General Fund | Major Street Fund | Local Street Fund | Bonds Debt Retirement Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| REVENUES | | | | | | |
| Taxes | $ 153,643 | $ - | $ - | $ 74,960 | $ - | $ 228,603 |
| State Grants | 113,186 | 63,414 | 23,607 | - | - | 200,207 |
| Charges for Services | 40,355 | - | - | - | - | 40,355 |
| Fines and Forfeits | 22 | - | | - | - | 22 |
| Interest and Rents | 4,132 | 807 | 6 | 2,221 | 315 | 7,481 |
| Other Revenue | 165,662 | - | - | - | - | 165,662 |
| Tota Revenues | $ 477,000 | $ 64,221 | $ 23,613 | $ 77,181 | $ 315 | $ 642,330 |
| EXPENDITURES | | | | | | |
| Legislative | $ 22,732 | $ - | $ - | $ - | $ - | $ 22,732 |
| General Government | 97,295 | - | - | - | - | 97,295 |
| Public Safety | 61,678 | - | - | - | - | 61,678 |
| Planning Commission | 1,200 | - | - | - | - | 1,200 |
| Public Works | 81,225 | 61,778 | 34,850 | - | - | 177,853 |
| Recreation and Culture | 19,676 | - | - | - | - | 19,676 |
| Other Functions | 43,465 | - | - | - | - | 43,465 |
| Debt Service | | | | | | - |
| Principal | - | - | - | 45,000 | - | 45,000 |
| Interest and Fiscal Charges | - | - | - | 40,702 | - | 40,702 |
| Total Expenditures | $ 327,271 | $ 61,778 | $ 34,850 | $ 85,702 | $ - | $ 509,601 |
| Excess (Deficiency of Revenues Over Expenditures | $ 149,729 | $ 2,443 | $ (11,237) | $ (8,521) | $ 315 | $ 132,729 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Operating Transfers In | $ 500 | $ - | $ 15,000 | $ 13,413 | $ - | $ 28,913 |
| Operating Transfers Out | - | (15,100) | (100) | - | - | (15,200) |
| Operating Transfers to Component Units | (38,223) | - | - | - | - | (38,223) |
| Total Other Financing Sources (Uses) | $ (37,723) | $ (15,100) | $ 14,900 | $ 13,413 | $ - | $ (24,510) |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | $ 112,006 | $ (12,657) | $ 3,663 | $ 4,892 | $ 315 | $ 108,219 |
| Fund Balance- Beginning of Year | 98,468 | 32,872 | 13,173 | 64,983 | 8,567 | 218,063 |
| Fund Balance- End of Year | $ 210,474 | $ 20,215 | $ 16,836 | $ 69,875 | $ 8,882 | $ 326,282 |

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MARION, MICHIGAN

Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statements of Activities

Year Ended February 29, 2008

| | | |
|---|---|---|
| Net Change In Fund Balances Total Governmental Funds | | $ 108,219 |
| Amounts Reported For Governmental Activities Are Different Because: | | |
| Govermental Funds Report Capital Outlays As Expenditures; In The Statement Of Activities, These Cost Are Allocated Over Their Estimated Useful Lives As Depreciation | | |
| Depreciation Expenses | $ (58,728) | |
| Capital Outlay | 14,594 | (44,134) |
| Repayments Of Bond Principal Is An Expenditure In The Governmental Funds, But Not In The Statement Of Activities | | 45,000 |
| Accured Interest On Bonds Is Recorded In The Statement Of Activities When Incurred; It Is Not Recorded In The Governmental Funds Until It Is Paid | | |
| Accured Interest - Beginning Of Year | 17,048 | |
| Accured Interest - End Of Year | (16,693) | 355 |
| Receipt Of Principal On Long-Term Receivables Is Recorded As Revenue In The Governmental Funds, It Is Recorded As A Reduction In Receiables On The Statement Of Activities | | (1,904) |
| Accured Interest Receivable On Long-Term Receivables Is Not Recorded In The Governmental Funds But Is In The Statement Of Activities | | (19) |
| Change In Net Assets Of Governmental Activities | | $ 107,517 |

The Notes to the Financial Statements are an Integral Part of this Statement

VILLAGE OF MARION, MICHIGAN
Proprietary Funds Statement of Net Assets
February 29, 2008

| | Major Funds | | |
|---|---|---|---|
| | Water Supply | Sewage Disposal | Totals |
| Assets | | | |
| Current Assets | | | |
| Cash | $ 83,111 | $ 55,751 | $ 138,862 |
| Total Current Assets | $ 83,111 | $ 55,751 | $ 138,862 |
| Capital Assets | | | |
| Land and Land Improvements | $ 17,550 | $ 20,138 | $ 37,688 |
| Building | - | 20,000 | 20,000 |
| Machinery and Equipment | 58,154 | 28,795 | 86,949 |
| Water Systems | 2,241,540 | - | 2,241,540 |
| Sewer Systems | - | 1,702,257 | 1,702,257 |
| Less Accumulated Depreciation | (449,984) | (1,012,739) | (1,462,723) |
| Net Capital Assets | $ 1,867,260 | $ 758,451 | $ 2,625,711 |
| Total Assets | $ 1,950,371 | $ 814,202 | $ 2,764,573 |
| Libilities | | | |
| Account Payable | $ 1,121 | $ 175 | $ 1,296 |
| Total Liabilities | $ 1,121 | $ 175 | $ 1,296 |
| Net Assets | | | |
| Invested in Capital Assets | $ 1,867,260 | $ 758,451 | $ 2,625,711 |
| Net of Related Debt | 81,990 | 55,576 | 137,566 |
| Unrestricted | | | |
| Total Net Assets | $ 1,949,250 | $ 814,027 | $ 2,763,277 |

The Notes to the Financial Statements are an Integral Part of this Statement

VILLAGE OF MARION, MICHIGAN
Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Assets
Year Ended February 29, 2008

| | Major Funds | | |
|---|---|---|---|
| | Water Supply | Sewage Disposal | Totals |
| Operating Revenues | | | |
| Charges for Services | $ 120,723 | $ 42,522 | $ 163,245 |
| Operating Expenses | | | |
| Personal Services | $ 13,209 | $ 9,644 | $ 22,853 |
| Employee Benefits | 8,967 | 6,569 | 15,536 |
| Administrative Services | 8,000 | 8,000 | 16,000 |
| Contractual Services | 32,016 | - | 32,016 |
| Office Supplies and Expense | 3,088 | 515 | 3,603 |
| Operating Supplies and Expense | 16,276 | 7,931 | 24,207 |
| Heat, Light and Power | 6,607 | 2,305 | 8,912 |
| Depreciation | 55,474 | 46,254 | 101,728 |
| Rentals | 8,455 | 9,332 | 17,787 |
| Total Operating Expenses | $ 152,092 | $ 90,550 | $ 242,642 |
| Operating Income ( Loss) | $ (31,369) | $ (48,028) | $ (79,397) |
| Nonoperating Revenues (Expenses) | | | |
| Interest | $ 2,846 | $ 3,075 | $ 5,921 |
| Rentals | - | 2,000 | 2,000 |
| Total Nonoperating Revenues (Expenses) | $ 2,846 | $ 5,075 | $ 7,921 |
| Income (Loss) Before Contributions | $ (28,523) | $ (42,953) | $ (71,476) |
| Transfers (Out) | (13,513) | (200) | (13,713) |
| Change In Net Assets | $ (42,036) | $ (43,153) | $ (85,189) |
| Net Assets- Beginning of Year | 1,991,286 | 857,180 | 2,848,466 |
| Net Assets- End of Year | $ 1,949,250 | $ 814,027 | $ 2,763,277 |

The Notes to the Financial Statements are an Integral Part of this Statement

VILLAGE OF MARION, MICHIGAN
Proprietary Funds Statement Cash Flows
Year Ended February 29, 2008

| | Major Funds | | |
|---|---|---|---|
| | Water Supply | Sewage Disposal | Totals |
| Cash Flows From Operating Activities | | | |
| Receipts From Customers | $ 120,723 | $ 42,522 | $ 163,245 |
| Payments To Suppliers | (64,184) | (17,144) | (81,328) |
| Payments To Employees | (13,209) | (9,644) | (22,853) |
| Payments To Other Funds | (16,455) | (17,332) | (33,787) |
| Net Cash Provided (Used) By Operating Activities | $ 26,875 | $ (1,598) | $ 25,277 |
| Cash Flows From Non-Capital Financing Activites | | | |
| Operating Transfers To Other Funds | $ (13,513) | $ (200) | $ (13,713) |
| Rental Income | - | 2,000 | 2,000 |
| Net Cash Provided (Used) By Non-Capital Financing Activities | $ (13,513) | $ 1,800 | $ (11,713) |
| Cash Flows From Capital and Related Financing Activities | | | |
| Purchase Of Capital Assets | $ (1,860) | $ (320) | $ (2,180) |
| Net Cash Provided (Used) By Capital And Related Financing Activities | $ (1,860) | $ (320) | $ (2,180) |
| Cash Flows From Investing Activities | | | |
| Interest | $ 2,846 | $ 3,075 | $ 5,921 |
| Net Increase (Decrease) In Cash and Cash Equivalents | $ 14,348 | $ 2,957 | $ 17,305 |
| Cash and Cash Equivalents Beginning Of Year | 68,763 | 52,794 | 121,557 |
| Cash and Cash Equivalents End Of Year | $ 83,111 | $ 55,751 | $ 138,862 |
| Reconciliation Of Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities | | | |
| Operating Income (Loss) | $ (31,369) | $ (48,028) | $ (79,397) |
| Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities | | | |
| Depreciation Expense | 55,474 | 46,255 | 101,729 |
| Changes In Assets and Liabilities: | | | |
| (Increase) Decrease in due from other Funds | 1,799 | - | 1,799 |
| Increase (Decrease) In Accounts Payable | 971 | 175 | 1,146 |
| Net Cash Provided By Operating Activities | $ 26,875 | $ (1,598) | $ 25,277 |

The Notes to the Financial Statements are an Integral Part of this Statement

VILLAGE OF MARION, MICHIGAN
Statement of Net Asset – Component Units
February 29, 2008

| | Marion Community Fire Dept. | Downtown Development Authority | Marion Public Library | Total Component Units |
|---|---|---|---|---|
| Assets | | | | |
| Cash | $ 54,306 | $ 53,310 | $ 232,920 | $ 340,536 |
| Accounts Receivable | 14,885 | - | 1,388 | 16,273 |
| Total Current Assets | $ 69,191 | $ 53,310 | $ 234,308 | $ 356,809 |
| Capital Assets | $ 970,593 | $ 367,144 | $ 371,923 | $ 1,709,660 |
| Less Depreciation | (543,899) | (72,026) | (216,112) | (832,037) |
| Net Capital Assets | $ 426,694 | $ 295,118 | $ 155,811 | $ 877,623 |
| Total Assets | $ 495,885 | $ 348,428 | $ 390,119 | $ 1,234,432 |
| Libilities | | | | |
| Accounts Payable | $ 1,469 | $ - | $ 472 | $ 1,941 |
| Retirement Payable | - | - | 633 | 633 |
| Accured Interest | 349 | 847 | - | 1,196 |
| Total Current Liabilities | $ 1,818 | $ 847 | $ 1,105 | $ 3,770 |
| Noncurrent Liabilities | | | | |
| Due Within One Year | 8,943 | 16,000 | - | 24,943 |
| Due In More Than One Year | 19,425 | 16,000 | - | 35,425 |
| TOTAL LIABILITIES | $ 30,186 | $ 32,847 | $ 1,105 | $ 64,138 |
| Net Assets | | | | |
| Invested In Capital Assets-Net Of Related Debt | $ 398,326 | $ 263,118 | $ 155,811 | $ 817,255 |
| Unrestricted | 67,373 | 52,463 | 233,203 | 353,039 |
| Total Net Assets | $ 465,699 | $ 315,581 | $ 389,014 | $ 1,170,294 |

The Notes to the Financial Statements are an Integral Part of this Statement

Village of Marion, Michigan
Statement of Activities-Component Units
Year Ended February 29, 2008

| Functions/Programs | Program Revenues: Expenses | Program Revenues: Charges For Services | Net(Expense) Revenue and Changes In Net Assets: Marion Community Fire Dept. | Downtown Development Authority | Marion Public Library | Total |
|---|---|---|---|---|---|---|
| Marion Community Fire Dept | | | | | | |
| Public Safety | $ 109,598 | $ 9,175 | $ (100,423) | $ - | $ - | $ (100,423) |
| Debt Service- Interest On Long-Term Debt | 1,824 | - | (1,824) | - | - | - (1,824) |
| Total Marion Community Fire Dept | $ 111,422 | $ 9,175 | $ (102,247) | $ - | $ - | $ (102,247) |
| Downtown Development Authority | | | | | | |
| General Government | | | | | | |
| Buildings and Grounds | $ 20,152 | $ - | $ - | $ (20,152) | $ - | $ (20,152) |
| Debt Service- Interest On Long term Debt | 2,339 | - | - | (2,339) | - | - (2,339) |
| Total Downtown Development Authority | $ 22,491 | $ - | $ - | $ (22,491) | $ - | $ (22,491) |
| Marion Public Library | | | | | | |
| Recreation and Culture | $ 81,109 | $ 1,433 | $ - | $ - | $ (79,676) | $ (79,676) |
| Total Component Units | $ 215,022 | $ 10,608 | $ (102,247) | $ (22,491) | $ (79,676) | $ (204,414) |
| General Revenues | | | | | | |
| Property Taxes | | | $ - | $ 16,476 | $ 11,949 | $ 28,425 |
| State-Shared Revenues | | | - | - | 37,773 | 37,773 |
| Contributions From Local Units | | | 73,539 | - | 2,990 | 76,529 |
| Fines and Forfeits | | | - | - | 492 | 492 |
| Interest And Rents | | | 212 | 10,651 | 9,746 | 20,609 |
| Other Revenues | | | 24,909 | 49 | 11,300 | 36,258 |
| Intergovernmental Revenues | | | 6,088 | 32,135 | - | 38,223 |
| Total General Revenues | | | $ 104,748 | $ 59,311 | $ 74,250 | $ 238,309 |
| Changes In Net Assets | | | $ 2,501 | $ 36,820 | $ (5,426) | $ 33,895 |
| Net Assets-Beginning of Year | | | 463,198 | 278,761 | 394,440 | 1,136,399 |
| Net Assets-End of Year | | | $ 465,699 | $ 315,581 | $ 389,014 | $ 1,170,294 |

The Notes to the Financial Statements are an Integral Part of this Statement

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Marion, Michigan, was incorporated in 1889. The Village is a general law Village and has adopted Act 3 of 1895 of the State of Michigan as its charter. The Village operates under a council/president form of government and provides the following services as authorized by its charter: Public safety (police and fire), highways and streets, sanitation, health, culture-reaction, public improvements and general administrative services. In addition the Village operates water and sewer enterprise funds.

The accounting policies of the Local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

### A. Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is consider to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

| Discretely Presented Component Units | Brief Description of Activities and Relationships to Village |
|---|---|
| Marion Community Fire Department | Provide fire protection to Village and surrounding participating townships. Village contributes to cost of operation. |
| Downtown Development Authority | Receive property tax revenues from the Village and Marion Township and use those monies to promote economic growth and increase property tax valuation within the business district. |
| Marion Public Library | Maintain Community Library for use by Village and participating township residents. The Village levies one mill for operation of the library. |

### B. Government- wide and Fund Financial Statements

During fiscal year 2005, the Village adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38 and applied those statements on a retroactive basis. GASB statement No.34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

*Invested In Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset used are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

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 revenues.

The government-wide focus is more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

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

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

1.Basic Financial Statements

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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 services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Village are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum numbers of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The Village of Marion 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 *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares and for the maintenance contract of the state trunklines.

The *Local Street Fund* receives all local street money paid to the city by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of general obligation bond principal and interest and related costs.

The Village of Marion reports the following major proprietary funds:

The *Water Fund* records financial activity of the water system which provides water to customers.

The *Sewer Fund* records financial activity of the sewage disposal services to its customers.

-Continued -

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit form 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 revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund and Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use the restricted resources first, them unrestricted resources as they are needed.

1. Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments – The Village's investment policy is in compliance with state law and authorizes the Village to invest in passbook savings accounts, negotiable and nonnegotiable certificates of deposit, repurchase agreements backed by the United States government or federal agency obligations, United States Treasury bills and bonds, bankers acceptances, federal agency instruments, money market funds and commercial paper. Investments in commercial paper must be rated in one of the two highest rating categories by Standard and Poor's or Moody's and are limited to fifty percent of a funds portfolio in accordance with state statutes. Investments are stated at fair value which is determined using selected bases. Securities traded on a national exchange are valued at the last reported sales price. Managed funds not listed on an established market are reported at fair value as determined by the respective fund managers based on quoted prices of underlying securities.

-Continued-

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Property Taxes

Property taxes attach as an enforceable lien on property as of March 1. Village taxes are levied July 1, and are due by August 15. The Village bills and collects it own property taxes. Village property tax revenues are recognized when levied to the extent that they result in current receivables.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more that $1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested process over the same period.

Property, plant and equipment are depreciated in the proprietary funds of the government using the straight line method over the following estimated useful lives:

| ASSETS | YEARS |
|---|---|
| Land Improvements | 10-30 |
| Buildings | 20-50 |
| Roads | 15-20 |
| Water And Sewer Lines | 20-50 |
| Equipment | 7-15 |
| Computer Equipment | 5 |
| Vehicles | 6-20 |

-Continued-

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

5. Compensated Absences

The Village has a policy that does not permit employees to accumulate sick pay, bank overtime hours or accumulate unused vacation benefits. At February 29, 2008 there were therefore no deferred compensated absences to be reflected in the financial statements.

6. Long-Term Obligations

In the government-wide financial statements, and proprietary funds types in the fund financial statements, long-term debt and other long–term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amount 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.

8. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

-Continued-

## NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to February 28, the budget committee submits, to the Village Council, a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to February 28, the budget is legally enacted through passage of resolution. The budget is adopted on an activity level.

4. All transfers of budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund must be approved by the Village Council. General Fund expenditures may not legally exceed appropriations at the major function level. Expenditures in all other funds may not exceed appropriations at the total fund level.

5. Budgets for the General and Special Revenues Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amount s are as originally adopted, or as amended by the Village Council from time to time throughout the year. The Village amended its budget on one occasion during the current fiscal year.

6. Budget appropriations lapse at the end of the fiscal year for all funds.

7. Encumbrance accounting, under which purchase orders, contract, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village of Marion because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

-Continued-

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY-Continued

B. Funds with expenditures in excess of appropriations were as follows:

| | APPROPRIATIONS | EXPENDITURES |
|---|---|---|
| General Fund | | |
| Village President | $ 9,500 | $ 9,755 |
| Clerk | 32,128 | 32,515 |
| Planning Commision | 500 | 1,200 |
| Water Supply System | | |
| Operating Expenses | 117,803 | 165,605 |
| Sewage Disposal System | | |
| Operating Expenses | 62,275 | 90,750 |
| Marion Community | | |
| Fire Department Fund | | |
| Expenditures | 78,975 | 103,392 |
| Marion Public Library Fund | | |
| Expenditures | 80,080 | 84,856 |

NOTE 3 – DEPOSITS AND INVESTMENTS

The Village's deposits are all on deposit with Citizen's Bank in Marion, Michigan, Chemical Bank, McBain, MI and Fifth Third Bank in Lake City, Michigan.

*Investment rate risk.* The Village will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Village's cash requirement.

*Foreign currency risk.* The Village is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Village will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Village's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Village will do business in accordance with the Village's investment policy.

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NOTE 3 – DEPOSITS AND INVESTMENTS-Continued

*Concentration of credit risk.* The village will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of February 29, 2008, $247,299 of the government's bank balance of $420,832 was exposed to custodial credit risk because it was uninsured and uncollateralized. As of February 29, 2008, $144,721 of the component unit's bank balance of $340,536 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village's investments are categorized to give an indication of the level of risk assumed by the Village at year end. Category 1 includes investments that are insured or registered, or securities held by the Village or the Village's agent in the Village's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Village's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Village's name. At year end, the Village held no investments.

NOTE 4 – RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds, and the internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | General | Major Street | Local Street | Water and Sewer | Bond Payment Fund | Nonmajor and Other Funds | Total | Component Units |
|---|---|---|---|---|---|---|---|---|
| Recievables | | | | | | | | |
| Accounts | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Property Taxes | 25,521 | - | - | - | - | - | 25,521 | - |
| Other Governmental Units | 19,297 | 8,408 | 4,240 | - | - | - | 31,945 | 16,273 |
| Marion Public School Water Project | - | - | - | - | 73,173 | - | 73,173 | - |
| Less: Allowance For Uncollectables | - | - | - | - | - | - | - | - |
| Net Receivables | $ 44,818 | $ 8,408 | $ 4,240 | $ - | $ 73,173 | $ - | $130,639 | $ 16,273 |

Because of the timing of the collection cycle for water and sewer billings and the strict turn-off policies for non payment, the receivables for water and sewer service were immaterial at February 2008 and 2007.

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## NOTE 5 – CAPITAL ASSETS

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated | | | | |
| Land | $ 114,554 | $ 300 | $ - | $ 114,854 |
| Capital Assets Being Depreciated | | | | |
| Buildings | $ 296,688 | $ 5,793 | $ - | $ 302,481 |
| Land Improvements | 127,588 | - | - | 127,588 |
| Machinery and Equipment | 225,667 | 8,501 | 11,394 | 222,774 |
| Vehicles | 85,127 | - | - | 85,127 |
| Paved Roads | 672,381 | - | | 672,381 |
| Unpaved Roads | 47,168 | - | - | 47,168 |
| Total Capital Assets Being Depreciated | $ 1,454,619 | $ 14,294 | $ 11,394 | $ 1,457,519 |
| Less Accumulated Depreciation For: | | | | |
| Buildings | $ 85,367 | $ 6,307 | $ - | $ 91,674 |
| Land Improvements | 57,710 | 5,852 | - | 63,562 |
| Machinery and Equipment | 115,187 | 18,592 | 11,394 | 122,385 |
| Vehicles | 85,127 | - | - | 85,127 |
| Paved Roads | 339,939 | 24,832 | - | 364,771 |
| Unpaved Roads | 22,360 | 3,145 | - | 25,505 |
| Total Accumulated Depreciation | $ 705,690 | $ 58,728 | $ 11,394 | $ 753,024 |
| Net Capital Assets Being Depreciated | $ 748,929 | $ (44,434) | $ - | $ 704,495 |
| Total Governmental Activities, Net Of Depreciation | $ 863,483 | $ (44,134) | $ - | $ 819,349 |

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## NOTE 5 – CAPITAL ASSETS-continued

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Business - Type Activites | | | | |
| Sewer | | | | |
| Capital Assets, Not Being Depreciated | | | | |
| Land | $ 20,138 | $ - | $ - | $ 20,138 |
| Capital Assets Being Depreciated | | | | |
| Buildings | $ 20,000 | $ - | $ - | $ 20,000 |
| Machinery and Equipment | 28,795 | - | - | 28,795 |
| Collection System | 1,057,228 | - | - | 1,057,228 |
| Lift Station | 113,672 | - | | 113,672 |
| Treatment System | 512,391 | - | | 512,391 |
| Meters | 18,646 | 320 | - | 18,966 |
| Total Capital Assets Being Depreciated | $ 1,750,732 | $ 320 | $ - | $ 1,751,052 |
| Less Accumulated Depreciation For: | | | | |
| Buildings | $ 2,200 | $ 400 | $ - | $ 2,600 |
| Machinery and Equipment | 21,495 | 1,763 | - | 23,258 |
| Collection System | 585,877 | 21,123 | - | 607,000 |
| Lift Station | 84,969 | 4,243 | - | 89,212 |
| Treatment System | 271,477 | 17,785 | | 289,262 |
| Meters | 466 | 941 | - | 1,407 |
| Total Accumulated Depreciation | $ 966,484 | $ 46,255 | $ - | $ 1,012,739 |
| Net Capital Assets Being Depreciated-Sewer | $ 784,248 | $ (45,935) | $ - | $ 738,313 |
| Net Sewer Capital Assets | $ 804,386 | $ (45,935) | $ - | $ 758,451 |

-Continued-

## NOTE 5 – CAPITAL ASSETS-continued

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Business - Type Activites-continued | | | | |
| Water | | | | |
| Capital Assets, Not Being Depreciated | | | | |
| Land | $ 12,150 | $ - | $ - | $ 12,150 |
| Capital Assets Being Depreciated | | | | |
| Land Improvements | $ 5,400 | $ - | $ - | $ 5,400 |
| Machinery and Equipment | 58,154 | - | - | 58,154 |
| Wells, Pumps and Pump House | 247,674 | - | - | 247,674 |
| Mains and Connections | 1,809,521 | 1,540 | - | 1,811,061 |
| Towers | 126,875 | - | | 126,875 |
| Meters | 55,610 | 320 | - | 55,930 |
| Total Capital Assets Being Depreciated | $ 2,303,234 | $ 1,860 | $ - | $ 2,305,094 |
| Less Accumulated Depreciation For: | | | | |
| Land Improvements | $ 900 | $ 360 | $ - | $ 1,260 |
| Machinery and Equipment | 38,937 | 6,252 | - | 45,189 |
| Wells, Pumps and Pump House | 145,955 | 6,687 | - | 152,642 |
| Mains and Connections | 100,578 | 36,206 | - | 136,784 |
| Towers | 84,291 | 3,821 | | 88,112 |
| Meters | 23,849 | 2,148 | - | 25,997 |
| Total Accumulated Depreciation | $ 394,510 | $ 55,474 | $ - | $ 449,984 |
| Net Capital Assets Being Depreciated-Water | $ 1,908,724 | $ (53,614) | $ - | $ 1,855,110 |
| Net Water Capital Assets | $ 1,920,874 | $ (53,614) | $ - | $ 1,867,260 |
| Total Business- Type Activities- Net Of Depreciation | $ 2,725,260 | $ (99,549) | $ - | $ 2,625,711 |

Depreciation Expense Was Charged to Functions/Programs Of The Primary Government As Follows:

| | |
|---|---|
| Governmental Activities: | |
| General Government | $ 7,553 |
| Public Safety | 2,961 |
| Public Works | 19,564 |
| Recreation and Culture | 1,271 |
| Major Streets | 10,465 |
| Local Streets | 16,914 |
| Total Depreciation- Governemtal Activities | $ 58,728 |
| Business-Type Activities | |
| Sewer | $ 46,255 |
| Water | 55,714 |
| Total Depreciation Expenses- Business-Type Activities | $ 101,969 |

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NOTE 5 – CAPITAL ASSETS-continued

| Discretely Presented Component Units | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Fire Department | | | | |
| Capital Assets, Not Being Depreciated | $ - | $ - | $ - | $ - |
| Capital Assets Being Depreciated | | | | |
| Buildings | $ 52,446 | $ - | $ - | $ 52,446 |
| Machinery And Equipment | 391,566 | 31,240 | - | 422,806 |
| Vehicles | 495,341 | - | - | 495,341 |
| Total Capital Assets Being Depreciated | $ 939,353 | $ 31,240 | $ - | $ 970,593 |
| Less Accumulated Depreciation For: | | | | |
| Buildings | $ 14,631 | $ 1,746 | $ - | $ 16,377 |
| Machinery And Equipment | 186,321 | 27,139 | - | 213,460 |
| Vehicles | 295,107 | 18,955 | - | 314,062 |
| Total Accumulated Depreciation | $ 496,059 | $ 47,840 | $ - | $ 543,899 |
| Net Capital Assets Being Depreciated | $ 443,294 | $ (16,600) | $ - | $ 426,694 |
| Net Fire Department Capital Assets | $ 443,294 | $ (16,600) | $ - | $ 426,694 |
| Downtown Development Authority | | | | |
| Capital Assets, Not Being Depreciated | | | | |
| Land | $ 74,284 | $ - | $ - | $ 74,284 |
| Capital Assets Being Depreciated | | | | |
| Buildings | $ 192,496 | $ - | $ - | $ 192,496 |
| Land Improvements | 93,133 | - | - | 93,133 |
| Machinery And Equipment | 7,231 | - | - | 7,231 |
| Total Capital Assets Being Depreciated | $ 292,860 | $ - | $ - | $ 292,860 |
| Less Accumulated Depreciation For: | | | | |
| Buildings | $ 6,246 | $ 3,850 | $ - | $ 10,096 |
| Land Improvements | 52,232 | 5,116 | - | 57,348 |
| Machinery And Equipment | 4,119 | 463 | - | 4,582 |
| Total Accumulated Depreciation | $ 62,597 | $ 9,429 | $ - | $ 72,026 |
| Net Capital Assets Being Depreciated | $ 230,263 | $ (9,429) | $ - | $ 220,834 |
| Net Downtown Development Authority Capital Assets | $ 304,547 | $ (9,429) | $ - | $ 295,118 |

-Continued-

## NOTE 5 – CAPITAL ASSETS-continued

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Discretely Presented Component Units-Continued** | | | | |
| Library | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land | $ 13,223 | $ - | $ - | $ 13,223 |
| Capital Assets Being Depreciated | | | | |
| Buildings | $ 140,666 | $ 8,688 | $ - | $ 149,354 |
| Land Improvements | 19,482 | - | - | 19,482 |
| Machinery And Equipment | 64,202 | 720 | | 64,922 |
| Library Books | 116,295 | 8,647 | - | 124,942 |
| Total Capital Assets Being Depreciated | $ 340,645 | $ 18,055 | $ - | $ 358,700 |
| Less Accumulated Depreciation For: | | | | |
| Buildings | $ 57,813 | $ 3,031 | $ - | $ 60,844 |
| Land Improvements | 2,979 | 950 | - | 3,929 |
| Machinery And Equipment | 42,904 | 3,542 | | 46,446 |
| Library Books | 98,109 | 6,784 | - | 104,893 |
| Total Accumulated Depreciation | $ 201,805 | $ 14,307 | $ - | $ 216,112 |
| Net Capital Assets Being Depreciated | $ 138,840 | $ 3,748 | $ - | $ 142,588 |
| Net Library Capital Assets Being Depreciated | $ 152,063 | $ 3,748 | $ - | $ 155,811 |
| Total Discretely Present Component Units, Net Of Depreciated | $ 899,904 | $ (22,281) | $ - | $ 877,623 |

Depreciation Expenses Was Charged To Functions/Programs Of The Discretely Presented Component Units As Follows:

| | |
|---|---|
| Fire Department | $ 47,840 |
| Downtown Development Authority | 9,429 |
| Library | 14,307 |
| Total Depreciation Expense-Discretely Presented Component Units | $ 71,576 |

-Continued-

## NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANFERS

Individual fund interfund receivable and payable balances at February 29, 2008 were:

| Fund | Interfund Receivables Due From's | Interfunds Payables Due To's |
|---|---|---|
| General Fund | | |
| Major Street Fund | $ - | $ 7,358 |
| Local Street Fund | - | 2,850 |
| Major Street Fund | | |
| General Fund | 7,358 | - |
| Local Street Fund | | |
| General Fund | 2,850 | - |
| | $ 10,208 | $ 10,208 |

Balances due from and due to generally result from the time the interfund goods and services are provided or reimbursable expenditures occur and when the payments between funds are made . All interfund balances outstanding at February 29, 2008 are expected to be repaid within one year.

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANFERS - Continued

| Fund | Transfers In | Transfers Out |
|---|---|---|
| General Fund | | |
| Major Street Fund | $ 100 | $ - |
| Local Street Fund | 100 | - |
| Water Supply System | 100 | - |
| Sewage Disposal System | 200 | - |
| Component Units: | | |
| Marion Community Fire Department | - | 6,088 |
| Downtown Development Authority | - | 32,135 |
| Major Street Fund | | |
| General Fund | - | 100 |
| Local Street Fund | - | 15,000 |
| Local Street Fund | | |
| General Fund | - | 100 |
| Major Street Fund | 15,000 | - |
| Water Bond Debt Retirement Fund | | |
| Water Supply System | 13,413 | - |
| Water Supply System | | |
| General Fund | - | 100 |
| Water Bond Debt Retirement Fund | - | 13,413 |
| Sewage Disposal System | | |
| General Fund | - | 200 |
| Component Units | | |
| Marion Community Fire Department | | |
| General Fund | 6,088 | - |
| Downtown Development Authority | 1,500 | - |
| Downtown Development Authority | | |
| General Fund | 32,135 | - |
| Marion Community Fire Department | - | 1,500 |
| Totals | $ 68,636 | $ 68,636 |

Transfers are used to move revenues from the fund that is required to collect them to the fund that is allowed to spend them or to make budgeted transfers between funds.

## NOTE 7 – LEASES

### Capital Lease

On June 9, 2006 the Marion Community Fire Department acquired a 2006 International 4300 Cab and Chassis under the provisions of a long-term lease. For financial reporting purposes minimum lease payments relating to the asset have been capitalized. The property under capital lease has a cost of $46,092.

The future minimum lease payments under capital lease and the net present value of the future minimum lease payments at February 29, 2008 are as follows:

| | | |
|---|---|---|
| Total Minimum Lease Payments | $ | 31,184 |
| Amount Representing Interest | | 2,818 |
| Present Value of Net Minimum Lease Payments | $ | 28,366 |
| Current Portion | | 8,943 |
| Long-Term Capital Lease Obligation | $ | 19,423 |

The annual minimum lease payments under the long-term capital lease existing at February 29, 2008 are:

| | | |
|---|---|---|
| February 28, 2009 | | 10,395 |
| February 28, 2010 | | 10,395 |
| February 28, 2011 | | 10,394 |
| | $ | 31,184 |

### Commercial Lease

On July 10, 2003 the Marion Downtown Development Authority (DDA) entered into an agreement with Jenkins Oil Co. whereby the DDA would lease real estate to be used as a commercial parking lot. The original term of the lease is for 20 years and will automatically renew for 10 successive 1 year terms unless the DDA gives written notice not to renew after the original 20 year period. Rent for the initial 20 year term is $19,500 based on a cost estimate for demolition of the building located on the real estate. Rent for renewal periods is $1.00 per year. The DDA is responsible for all expenses for maintaining of the property including real estate taxes, insurance, utilities, snow plowing and waste disposal. The DDA has an exclusive right to purchase the leased real estate when the lessor desires to sell the property as set forth in the agreement.

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## NOTE 8 – CHANGES IN LONG TERM DEBT

The following is a summary of debt transactions of the Village of Marion for the year ended February 29, 2008.

Governmental Activities:

| | |
|---|---|
| 2002 General Unlimited Tax | |
| Water Bonds | |
| Debt Payable at February 28 2007 | $ 1,648,383 |
| New Debt Issued | - |
| Debt Retired | (45,000) |
| Debt Payable at February 29, 2008 | $ 1,603,383 |
| | |
| Component Units: | |
| Marion Community Fire Dept | |
| Fire Truck | |
| Debt Payable at February 28, 2007 | $ 36,834 |
| New Debt | - |
| Debt Retired | (8,466) |
| Debt Payable at February 29, 2008 | $ 28,368 |
| | |
| Downtown Development Authority | |
| Term Note-Fifth Third Bank | |
| Debt Payable At February 28, 2007 | $ 48,000 |
| New Debt | - |
| Debt Retired | (16,000) |
| Debt Payable at February 29, 2008 | $ 32,000 |

Debt payable at February 28, 2007 is comprised of the following individual issues:

| | |
|---|---|
| Governmental Activities | |
| General Obligation | |
| $1,783,383 2002 General Obligation Unlimited Tax Bonds due in annual installments of $45,000 to 85,000 through April1, 2032; interest at 2.5% | $ 1,603,383 |

-Continued-

NOTE 8 – CHANGES IN LONG TERM DEBT-Continued

Component Units:

| | | |
|---|---|---|
| Marion Community Fire Dept | | |
| Fire Truck Capital Lease Due In | | |
| Semi annual Installments of $5,197 | | |
| Through December 9, 2010 | $ | 28,368 |
| Downtown Development Authority | | |
| Term Note Due In Semi-Annual | | |
| Payments of $8,000 Plus | | |
| Interest At 7% Beginning | | |
| April 15, 2005 Through Maturity | | |
| At January 15, 2010. | | 32,000 |
| New Debt | $ | 60,368 |

The annual debt service requirements to maturity for the above obligation is as follows:

| Year Ending February 28, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | 50,000 | 39,460 | 89,460 |
| 2010 | 50,000 | 38,210 | 88,210 |
| 2011 | 50,000 | 36,960 | 86,960 |
| 2012 | 50,000 | 35,710 | 85,710 |
| 2013 | 50,000 | 34,460 | 84,460 |
| 2014 | 55,000 | 33,147 | 88,147 |
| 2015 | 55,000 | 31,772 | 86,772 |
| 2016 | 55,000 | 30,397 | 85,397 |
| 2017 | 60,000 | 28,960 | 88,960 |
| 2018 | 60,000 | 27,460 | 87,460 |
| Sub Totals | $ 535,000 | $ 336,536 | $ 871,536 |

-Continued-

NOTE 8 – CHANGES IN LONG TERM DEBT-continued

The annual debt service requirements to maturity for the above obligation is as follows:

| Year Ending February 29 | Principal | Interest | Total |
|---|---|---|---|
| Balance Forward | $ 535,000 | $ 336,536 | $ 871,536 |
| 2019 | 60,000 | 25,960 | 85,960 |
| 2020 | 60,000 | 24,460 | 84,460 |
| 2021 | 65,000 | 22,897 | 87,897 |
| 2022 | 65,000 | 21,272 | 86,272 |
| 2023 | 65,000 | 19,647 | 84,647 |
| 2024 | 65,000 | 18,022 | 83,022 |
| 2025 | 65,000 | 16,397 | 81,397 |
| 2026 | 65,000 | 14,772 | 79,772 |
| 2027 | 75,000 | 13,022 | 88,022 |
| 2028 | 75,000 | 11,147 | 86,147 |
| 2029 | 80,000 | 9,210 | 89,210 |
| 2030 | 80,000 | 7,210 | 87,210 |
| 2031 | 80,000 | 5,210 | 85,210 |
| 2032 | 85,000 | 3,147 | 88,147 |
| 2033 | 83,383 | 1,042 | 84,425 |
| Total | $ 1,603,383 | $ 549,951 | $ 2,153,334 |

The debt service requirements to maturity for the fire truck capital lease is as follows:

| Year Ending February 29 | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $ 8,943 | $ 1,452 | $ 10,395 |
| 2010 | 9,446 | 949 | 10,395 |
| 2011 | 9,979 | 415 | 10,394 |
| | $ 28,368 | $ 2,816 | $ 31,184 |

The debt services requirements to maturity for the term loan with Fifth Third Bank is as follows:

| Year Ending February 29 | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $ 16,000 | $ 1,960 | $ 17,960 |
| 2010 | 16,000 | 840 | 16,840 |
| | $ 32,000 | $ 2,800 | $ 34,800 |

-Continued-

## NOTE 9 – INTEREST INCOME AND INTEREST EXPENSE

Individual fund interest income and interest expense for the primary government for the year ended February 29, 2008 were:

| | Interest Income | Interest Expense |
|---|---|---|
| General Fund | $ 4,132 | $ - |
| Special Revenue Funds | | |
| Major Street Fund | 807 | - |
| Local Street Fund | 6 | - |
| Debt Service Fund | | |
| 2002 General Obligation Unlimited Tax Bonds Debt Retirement Fund | 2,221 | 40,647 |
| Capital Projects Fund | | |
| Industrial Complex Construction Fund | 315 | |
| Enterprise Fund | | |
| Water Supply System | 2,846 | |
| Sewage Disposal | 3,075 | |
| | $ 13,402 | $ 40,647 |

Interest income and interest expense for the component units for the year ended February 29, 2008 was:

| | Interest Income | Interest Expense |
|---|---|---|
| Marion Community Fire Dept | $ 212 | $ 1,928 |
| Downtown Development Authority | 1 | 2,762 |
| Marion Public Library | 9,746 | - |
| | $ 9,959 | $ 4,690 |

## NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS

### Plan Description and Provisions

The Village contributes to the Municipal Employee Retirement System of Michigan (MERS), multiple-employer public employee retirement system administered by the MERS Retirement Board. The system provides retirement, disability and death benefits to plan members and their beneficiaries. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at MERS, 1134 Municipal Way, Lansing, MI 48917. All full-time Village employees are eligible to participate in the system. Employees become eligible to participate upon employment.

### Funding Status and Progress

The obligation to contribute to the system for these employees was established by the Village Council under Act 427 of Public Acts of 1984 and administered by the State of Michigan. The covered payroll for the year ended February 29, 2008 was $178,159. The amount contributed by the Village was based on 73% of covered payroll. The plan required a contribution from the employees of 3% of the covered wages.

-Continued-

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS-continued

Annual Pension Cost

For the year ended February 29, 2008 the Village's annual pension cost was $13,220. The annual required contribution rate was determined as part of an actuarial valuation at December 31, 2006 using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8% net investment yield, (b) projected salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases per year and a 4.5% inflation projection. The plan does not provide for post retirement benefit increases. The actuarial value of assets was determined on that basis that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability on an open basis over 30 years.

The following provides the information necessary to comply with GASB Statements Number 25 and 27.

All entries and the annual employer contribution amount were based on the actuarial methods and assumptions used in the December 31, 2007 actuarial valuation. The entry age normal actuarial method was to determine the disclosure entries.

**GASB 25 Information (as of 12/31/2007)**

| | |
|---|---|
| Actuarial Accrued Liability | |
| Retirees and Beneficiaries currently receiving benefits | $ 215,617 |
| Terminated employees (vested former members) not yet receiving benefits | 13,050 |
| Non-vested terminated employees (pending refunds of accumulated member contributions) | - |
| Current Employees - | |
| Accumulated employee contributions including allocated investment income | 52,493 |
| Employer financed | 220,912 |
| Total Actuarial Accrued Liability | $ 502,072 |
| Net Assets Available for Benefits at Actuarial Value (Market Value is ($370,295) | 366,025 |
| Unfunded (Overfunded) Actuarial Accrued Liability | $ 136,047 |

-Continued-

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS-continued

**GASB 27 Information (as of 12/31/2007)**

| | |
|---|---|
| Fiscal Year Beginning | March 1, 2009 |
| Annual Required Contribution (ARC) | $ 13,452 |
| Amortization Factor Used - Underfunded Liabilities (28 years) | 0.055889 |

Three year trend information as of December 31 follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarially Accured Lability(AAL) Entry Age (b) | Unfunded (Overfunded) AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll ( c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 12/31/2005 | 317,653 | 427,533 | 109,880 | 74% | 162,252 | 68% |
| 12/31/2006 | 341,509 | 470,364 | 128,855 | 73% | 168,561 | 76% |
| 12/31/2007 | 366,025 | 502,072 | 136,047 | 73% | 174,943 | 78% |

NOTE 11 – RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries (workers' compensation) as well as medical benefits provided to employees. The Village has purchased commercial insurance through the Michigan Municipal Liability and Property pool.

NOTE 12 – 2002 GENERAL OBLICATION UNLIMITED TAX BOND RETIREMENT FUND RECEIVABLE

The water project completed during 2005 contained the cost of the new system extended to the Marion Public Schools of $78,733. The school is making payments for their portion of the project to the Village in semi-annual payments of $1,873 including interest at 2.5%. At February 29, 2008, $72,273 was receivable from the school.

-Continued-

Village of Marion, Michigan
Required Supplementary Information Budgetary Comparison Schedule
Major Governmental Funds
Year Ended February 29, 2008

| | General Fund | | | | Major Street Fund | | | |
|---|---|---|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance with Final Budget | Original Budget | Final Budget | Actual | Variance with Final Budget |
| Revenue | | | | | | | | |
| Taxes | $ 148,500 | $ 148,500 | $ 153,643 | $ 5,143 | $ - | $ - | $ - | $ - |
| State Grants | 111,500 | 111,500 | 113,186 | 1,686 | 63,000 | 63,000 | 63,414 | 414 |
| Charges For Services | 43,600 | 43,600 | 40,355 | (3,245) | - | - | - | - |
| Fines and Forfeits | - | - | 22 | 22 | - | - | - | - |
| Interest and Rentals | 6,600 | 6,600 | 4,132 | (2,468) | 500 | 500 | 807 | 307 |
| Other Revenues | 102,500 | 102,500 | 165,662 | 63,162 | - | - | - | - |
| Total Revenue | $ 412,700 | $ 412,700 | $ 477,000 | $ 64,300 | $ 63,500 | $ 63,500 | $ 64,221 | $ 721 |
| Expenditures | | | | | | | | |
| Legislative | $ 24,500 | $ 24,500 | $ 22,732 | $ 1,768 | $ - | $ - | $ - | $ - |
| General Government | 96,007 | 100,557 | 97,295 | 3,262 | - | - | - | - |
| Public Safety | 62,195 | 64,695 | 62,878 | 1,817 | 41,500 | 61,500 | 61,778 | (278) |
| Public Works | 122,400 | 122,400 | 81,225 | 41,175 | - | - | - | - |
| Recreation and Culture | 25,374 | 25,374 | 19,676 | 5,698 | - | - | - | - |
| Principal | - | - | - | - | - | - | - | - |
| Interest and Fiscal Charges | - | - | - | - | - | - | - | - |
| Other Functions | 69,443 | 69,443 | 43,465 | 25,978 | - | - | - | - |
| Total Expenditures | $ 399,919 | $ 406,969 | $ 327,271 | $ 79,698 | $ 41,500 | $ 61,500 | $ 61,778 | $ (278) |
| Excess (Deficiency) of Revenues Over(Under) Expeditures | $ 12,781 | $ 5,731 | $ 149,729 | $ 143,998 | $ 22,000 | $ 2,000 | $ 2,443 | $ 443 |
| Other Financing Sources (Uses) | | | | | | | | |
| Operating Transfers In | $ - | $ - | $ 500 | $ 500 | $ - | $ - | $ - | $ - |
| Operating Transfers Out | - | - | - | - | 17,050 | (17,050) | (15,100) | 1,950 |
| Operating Transfers From (To) Component Units | (35,788) | (35,788) | (38,223) | (2,435) | - | - | - | - |
| Total Other Financing Sources(Uses) | $ (35,788) | $ (35,788) | $ (37,723) | $ (1,935) | $ 17,050 | $ (17,050) | $ (15,100) | $ 1,950 |
| Net Change In Fund Balance | $ (23,007) | $ (30,057) | $ 112,006 | $ 142,063 | $ 4,950 | $ (15,050) | $ (12,657) | $ 2,393 |
| Fund Balance- Beginning of Year | 98,468 | 98,468 | 98,468 | - | 32,872 | 32,872 | 32,872 | - |
| Fund Balance-End of Year | $ 75,461 | $ 68,411 | $ 210,474 | $ 142,063 | $ 37,822 | $ 17,822 | $ 20,215 | $ 2,393 |

| Local Street Fund | | | | | 2002 General Obligation Unlimited Tax Bond Debt Retirement Fund | | | |
|---|---|---|---|---|---|---|---|---|
| Original Budget | Final Budget | Actual | Variance with Final Budget | | Original Budget | Final Budget | Actual | Variance with Final Budget |
| $ - | $ - | $ - | $ - | | $ 72,904 | $ 72,904 | $ 74,960 | $ 2,056 |
| 24,000 | 24,000 | 23,607 | (393) | | - | - | - | - |
| - | - | - | - | | - | - | - | - |
| - | - | - | - | | - | - | - | - |
| 300 | 300 | 6 | (294) | | 2,735 | 2,735 | 2,221 | (514) |
| - | - | - | - | | - | - | - | - |
| $ 24,300 | $ 24,300 | $ 23,613 | (687) | | $ 75,639 | $ 75,639 | $ 77,181 | $ 1,542 |
| $ - | $ - | $ - | $ - | | $ - | $ - | $ - | $ - |
| - | - | - | - | | - | - | - | - |
| 34,700 | 42,200 | 36,050 | 6,150 | | - | - | - | - |
| - | - | - | - | | - | - | - | - |
| - | - | - | - | | - | - | - | - |
| - | - | - | - | | 45,000 | 45,000 | 45,000 | - |
| - | - | - | - | | 46,781 | 46,781 | 40,702 | 6,079 |
| - | - | - | - | | - | - | - | - |
| $ 34,700 | $ 42,200 | $ 36,050 | $ 6,150 | $ - | $ 91,781 | $ 91,781 | $ 85,702 | $ 6,079 |
| $ (10,400) | $ (17,900) | $ (12,437) | $ 5,463 | $ - | $ (16,142) | $ (16,142) | $ (8,521) | $ 7,621 |
| $ 15,750 | $ 15,750 | $ 15,000 | $ (750) | | $ 12,898 | $ 12,898 | $ 13,413 | $ 515 |
| (100) | (100) | (100) | - | | - | - | - | - |
| - | - | - | - | | - | - | - | - |
| $ 15,650 | $ 15,650 | $ 14,900 | $ (750) | $ - | $ 12,898 | $ 12,898 | $ 13,413 | 515 |
| $ 5,250 | $ (2,250) | $ 2,463 | $ 4,713 | | $ (3,244) | $ (3,244) | $ 4,892 | $ 8,136 |
| 13,173 | 13,173 | 13,173 | - | | 64,983 | 64,983 | 64,983 | - |
| $ 18,423 | $ 10,923 | $ 15,636 | $ 4,713 | $ - | $ 61,739 | $ 61,739 | $ 69,875 | $ 8,136 |

VILLAGE OF MARION, MICHIGAN
General Fund
Comparative Balance Sheet
February 29, 2008

| | 2008 | 2007 |
|---|---|---|
| ASSETS | | |
| Cash | $ 189,052 | $ 78,651 |
| Receivables | | |
| Real Property Tax | 25,521 | 16,244 |
| Due From Other Funds | | |
| Major Street Fund | - | 255 |
| Due From Other Governmental Units | 19,297 | 18,926 |
| TOTAL ASSETS | $ 233,870 | $ 114,076 |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES | | |
| Accounts Payable | $ 7,616 | $ 4,971 |
| Due to Other Funds | | |
| Major Street Fund | 7,358 | 11 |
| Local Street Fund | 2,850 | 4,399 |
| Water Supply Fund | - | 1,799 |
| Retirement Withholdings | 516 | 386 |
| Payroll Tax Withholdings | 3,289 | 2,140 |
| Accrued Payroll Taxes | 1,294 | 999 |
| Accrued Retirement Payable | 473 | 903 |
| TOTAL LIABILITIES | $ 23,396 | $ 15,608 |
| FUND BALANCE | | |
| Unreserved | $ 210,474 | $ 98,468 |
| TOTAL FUND BALANCE | $ 210,474 | $ 98,468 |
| TOTAL LIABILITIES AND FUND BALANCE | $ 233,870 | $ 114,076 |

VILLAGE OF MARION, MICHIGAN
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended February 29, 2008
With Comparative Actual Amounts for Year Ended February 28, 2007

| | FINAL BUDGET | ACTUAL 2008 | ACTUAL 2007 |
|---|---|---|---|
| REVENUES | | | |
| Taxes | $ 148,500 | $ 153,643 | $ 148,674 |
| State Grants | 111,500 | 113,186 | 111,073 |
| Charges For Services | 43,600 | 40,355 | 39,610 |
| Fines and Forfeits | - | 22 | 26 |
| Interest and Rentals | 6,600 | 4,132 | 3,633 |
| Other Revenues | 102,500 | 165,662 | 49,114 |
| TOTAL REVENUES | $ 412,700 | $ 477,000 | $ 352,130 |
| EXPENDITURES | | | |
| Legislative | | | |
| Village Council | $ 24,500 | $ 22,732 | $ 23,168 |
| General Government | | | |
| Village President | 9,500 | 9,755 | 9,550 |
| Elections | 2,350 | 2,014 | - |
| Independent Audit | 10,000 | 8,500 | 9,000 |
| Attorney | 2,000 | 1,720 | 2,416 |
| Appraisal Fees | - | - | 325 |
| Surveying Fees | - | 875 | - |
| Clerk | 32,128 | 32,515 | 30,557 |
| Treasurer's Office | 16,879 | 16,491 | 16,494 |
| Building and Grounds | 27,700 | 25,425 | 21,416 |
| Public Safety | | | |
| Police Department | 64,195 | 61,678 | 59,787 |
| Planning Commission | 500 | 1,200 | 1,500 |
| Public Works | | | |
| Stores and Garage | 104,608 | 64,433 | 76,917 |
| Highways, Streets and Bridges | 17,000 | 16,528 | 15,650 |
| Sanitation | 792 | 264 | 440 |
| Recreation and Cultural | | | |
| Recreation/Parks Department | 25,374 | 19,676 | 21,261 |
| Other Functions | | | |
| Employee Benefits | 67,593 | 41,634 | 49,660 |
| Community Promotion | 1,850 | 1,831 | 1,831 |
| TOTAL EXPENDITURES | $ 406,969 | $ 327,271 | $ 339,972 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | $ 5,731 | $ 149,729 | $ 12,158 |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating Transfers From Other Funds | - | 500 | 1,100 |
| Operating Transfers To Other Funds | - | - | (14,230) |
| Operating Transfers To Component Units | (35,788) | (38,223) | (38,253) |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | $ (30,057) | $ 112,006 | $ (39,225) |
| FUND BALANCE - Beginning of Year | 98,468 | 98,468 | 137,693 |
| FUND BALANCE - End of Year | $ 68,411 | $ 210,474 | $ 98,468 |

VILLAGE OF MARION, MICHIGAN
General Fund
Analysis of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended February 29, 2008
With Comparative Actual Amounts for Year Ended February 28, 2007

| | FINAL BUDGET | ACTUAL 2008 | ACTUAL 2007 |
|---|---|---|---|
| REVENUES | | | |
| Taxes | | | |
| Current Tax Levy | $ 145,000 | $ 148,374 | $ 143,667 |
| Delinquent Property Taxes | - | - | 1,701 |
| Penalties and Interest | 1,000 | 1,896 | 807 |
| Tax Collection Fees | 2,500 | 3,373 | 2,499 |
| TOTAL TAXES | $ 148,500 | $ 153,643 | $ 148,674 |
| State Grants | | | |
| State Shared Revenues | | | |
| Sales and Use Tax | $ 110,000 | $ 108,245 | $ 106,332 |
| Metro Authority | - | 3,242 | 3,258 |
| Liquor License | 1,500 | 1,699 | 1,483 |
| TOTAL STATE GRANTS | $ 111,500 | $ 113,186 | $ 111,073 |
| Charges For Services | | | |
| Copy Fees | $ - | $ 23 | $ 19 |
| Administration Fees | 24,600 | 23,450 | 23,350 |
| Operational Supply Reimbersments | - | 2,400 | - |
| Park and Camping Fees | 19,000 | 14,397 | 16,146 |
| Zoning Fees | - | 85 | 95 |
| TOTAL CHARGES FOR SERVICES | $ 43,600 | $ 40,355 | $ 39,610 |
| Fines and Forfeits | | | |
| Ordinance Fees | $ - | $ 22 | $ 26 |
| Interest and Rentals | | | |
| Interest | $ 1,000 | $ 4,132 | $ 1,044 |
| Property Lease | 600 | - | 1,200 |
| Cable Franchise Fees | 1,800 | - | 1,389 |
| Tele-Communications | 3,200 | - | |
| TOTAL INTEREST AND RENTS | $ 6,600 | $ 4,132 | $ 3,633 |

- Continued –

VILLAGE OF MARION, MICHIGAN
General Fund
Analysis of Revenues, Expenditures and Changes in Fund Balance - Continued
Budget and Actual
Year Ended February 29, 2008
With Comparative Actual Amounts for Year Ended February 28, 2007

| | FINAL BUDGET | ACTUAL 2008 | ACTUAL 2007 |
|---|---|---|---|
| REVENUES - Continued | | | |
| Other Revenue | | | |
| Equipment Rental | $ 46,000 | $ 65,008 | $ 35,204 |
| Sale of Lots | - | - | 12,600 |
| Sale of Other Fixed Assets | - | 500 | 1,123 |
| Donations | - | 100,000 | - |
| Salary Reimbursements | 56,500 | - | - |
| Miscellaneous | - | 154 | 187 |
| TOTAL OTHER REVENUES | $ 102,500 | $ 165,662 | $ 49,114 |
| TOTAL REVENUES | $ 412,700 | $ 477,000 | $ 352,130 |
| EXPENDITURES | | | |
| Legislative | | | |
| Village Council | | | |
| Salaries and Wages | $ 7,000 | $ 7,200 | $ 7,400 |
| Memberships and Dues | 1,100 | 1,413 | 1,087 |
| Liability Insurance | 13,400 | 10,534 | 12,025 |
| Printing and Publishing | 3,000 | 3,401 | 2,270 |
| Miscellaneous | - | 184 | 386 |
| TOTAL LEGISLATIVE | $ 24,500 | $ 22,732 | $ 23,168 |
| General Government | | | |
| Village President | | | |
| Salaries and Wages | $ 3,500 | $ 3,300 | $ 3,550 |
| Projects Director | 6,000 | $ 6,000 | $ 6,000 |
| Transportation | - | 455 | - |
| | $ 9,500 | $ 9,755 | $ 9,550 |
| Elections | | | |
| Salaries and Wages | $ 550 | $ 527 | $ - |
| Office Supplies | 1,400 | 1,423 | - |
| Printing and Publishing | 400 | 64 | - |
| | $ 2,350 | $ 2,014 | $ - |
| Independent Audit and Accounting | $ 10,000 | $ 8,500 | $ 9,000 |
| Attorney | $ 2,000 | $ 1,720 | $ 2,416 |
| Appraisal Fees | $ - | $ - | $ 325 |
| Surveying Fees | $ - | $ 875 | $ - |

- Continued –

VILLAGE OF MARION, MICHIGAN
General Fund
Analysis of Revenues, Expenditures and Changes in Fund Balance - Continued
Budget and Actual
Year Ended February 29, 2008
With Comparative Actual Amounts for Year Ended February 28, 2007

| | FINAL BUDGET | ACTUAL 2008 | ACTUAL 2007 |
|---|---|---|---|
| EXPENDITURES - Continued | | | |
| General Government - Continued | | | |
| Clerk | | | |
| Salaries and Wages | $ 29,128 | $ 28,942 | $ 27,458 |
| Office Supplies | 2,000 | 3,573 | 1,954 |
| Computer Services | 500 | - | 469 |
| Insurance | - | - | 6 |
| Capital Outlay | 500 | - | 670 |
| | $ 32,128 | $ 32,515 | $ 30,557 |
| Treasurer | | | |
| Salaries and Wages | $ 13,829 | $ 13,404 | $ 12,917 |
| Office Supplies | 2,000 | 2,634 | 2,550 |
| Transportation | - | 31 | 31 |
| Contractual Services | 550 | 422 | 441 |
| Capital Outlay | 500 | - | 555 |
| | $ 16,879 | $ 16,491 | $ 16,494 |
| Building and Grounds | | | |
| Salaries and Wages | $ 2,600 | $ 2,756 | $ 3,407 |
| Operating Supplies | - | 298 | 71 |
| Communications | 4,700 | 4,622 | 4,026 |
| Insurance | 1,000 | 1,090 | 811 |
| Utilities | 9,000 | 7,190 | 7,912 |
| Repair and Maintenance | 4,500 | 3,377 | 5,189 |
| Primary Sidewalk Construction | 500 | - | |
| Capital Outlay | 5,400 | 6,092 | - |
| | $ 27,700 | $ 25,425 | $ 21,416 |
| TOTAL GENERAL GOVERNMENT | $ 100,557 | $ 97,295 | $ 89,758 |

- Continued -

VILLAGE OF MARION, MICHIGAN
General Fund
Analysis of Revenues, Expenditures and Changes in Fund Balance - Continued
Budget and Actual
Year Ended February 29, 2008
With Comparative Actual Amounts for Year Ended February 28, 2007

| | FINAL BUDGET | ACTUAL 2008 | ACTUAL 2007 |
|---|---|---|---|
| EXPENDITURES - Continued | | | |
| Public Safety | | | |
| Police Department | | | |
| Salaries and Wages | $ 40,685 | $ 40,688 | $ 40,945 |
| Insurance Reimbursement | 6,760 | 6,785 | 6,716 |
| Office Supplies | 1,500 | 1,107 | 1,123 |
| Communications | 300 | 242 | 255 |
| Operating Supplies | 500 | 353 | 349 |
| Vehicle Expense | 5,000 | 4,020 | 5,188 |
| Dues | 250 | 100 | 225 |
| Insurance | 2,500 | 2,577 | 2,253 |
| Education and Training | 1,200 | 586 | 1,268 |
| Capital Outlay | 5,500 | 5,220 | 1,465 |
| TOTAL PUBLIC SAFETY | $ 64,195 | $ 61,678 | $ 59,787 |
| Planning Commission | | | |
| Salaries and Wages | $ 500 | $ 1,200 | $ 1,500 |
| Public Works | | | |
| Stores and Garage | | | |
| Salaries and Wages | $ 75,608 | $ 32,871 | $ 30,325 |
| Operating Supplies | 5,000 | 3,020 | 4,120 |
| Communications | - | - | 375 |
| Gas and Oil | 7,500 | 8,744 | 6,530 |
| Insurance | 3,000 | 2,516 | 2,803 |
| Repair and Maintenance | 6,000 | 12,970 | 7,025 |
| Education and Training | - | - | 59 |
| Uniform Rental | - | 1,031 | 930 |
| Capital Outlay - Equipment | 5,000 | 3,281 | 24,750 |
| Capital Outlay - Improvements | 2,500 | - | - |
| | $ 104,608 | $ 64,433 | $ 76,917 |
| Highways, Streets and Bridges | | | |
| Street Lighting | $ 17,000 | $ 16,528 | $ 15,650 |
| | $ 17,000 | $ 16,528 | $ 15,650 |
| Sanitation | | | |
| Contractual Services | $ 792 | $ 264 | $ 440 |
| | $ 792 | $ 264 | $ 440 |
| TOTAL PUBLIC WORKS | $ 122,400 | $ 81,225 | $ 93,007 |

- Continued –

VILLAGE OF MARION, MICHIGAN
General Fund
Analysis of Revenues, Expenditures and Changes in Fund Balance - Continued
Budget and Actual
Year Ended February 29, 2008
With Comparative Actual Amounts for Year Ended February 28, 2007

| | FINAL BUDGET | ACTUAL 2008 | ACTUAL 2007 |
|---|---|---|---|
| EXPENDITURES - Continued | | | |
| Recreation and Culture | | | |
| Recreation/Parks Department | | | |
| Salaries and Wages | $ 10,021 | $ 8,443 | $ 10,495 |
| Operating Supplies | - | 407 | 583 |
| Contractal Services | 528 | 328 | 176 |
| Communications | 400 | 288 | 657 |
| Printing and Publishing | 800 | 771 | 705 |
| Utilities | 6,500 | 4,663 | 5,918 |
| Repair and Maintenance | 3,025 | 4,702 | 2,641 |
| Insurance | 100 | 74 | 86 |
| Capital Outlay | 4,000 | - | - |
| TOTAL RECREATION AND CULTURE | $ 25,374 | $ 19,676 | $ 21,261 |
| Other Functions | | | |
| Employee Benefits | | | |
| Social Security and Medicare | $ 12,345 | $ 9,405 | $ 11,694 |
| Health and Life Insurance | 40,804 | 20,772 | 23,641 |
| Retirement | 11,024 | 7,503 | 11,128 |
| Unemployment | 420 | - | - |
| Workmen's Compensation | 3,000 | 1,344 | 1,093 |
| Prescription Reimbursements | - | 1,939 | 2,023 |
| Other Miscellaneous | - | 671 | 81 |
| | 67,593 | 41,634 | 49,660 |
| Community Promotion | | | |
| Christmas Decorations | $ 1,850 | $ 1,831 | $ 1,831 |
| TOTAL OTHER FUNCTIONS | $ 69,443 | $ 43,465 | $ 51,491 |

- Continued –

VILLAGE OF MARION, MICHIGAN
General Fund
Analysis of Revenues, Expenditures and Changes in Fund Balance - Continued
Budget and Actual
Year Ended February 29, 2008
With Comparative Actual Amounts for Year Ended February 28, 2007

| | FINAL BUDGET | ACTUAL 2008 | ACTUAL 2007 |
|---|---|---|---|
| EXPENDITURES - Continued | | | |
| TOTAL EXPENDITURES | $ 406,969 | $ 327,271 | $ 339,972 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | $ 5,731 | $ 149,729 | $ 12,158 |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating Transfers From Other Funds | - | 500 | 1,100 |
| Operating Transfers To Other Fund | - | - | (14,230) |
| Operating Transfers To Component Units | (35,788) | (38,223) | (38,253) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES) | $ (30,057) | $ 112,006 | $ (39,225) |
| FUND BALANCE - Beginning of Year | 98,468 | 98,468 | 137,693 |
| FUND BALANCE - End of Year | $ 68,411 | $ 210,474 | $ 98,468 |

VILLAGE OF MARION, MICHIGAN
Major Street Fund
Comparative Balance Sheet
February 29, 2008

| | 2008 | 2007 |
|---|---|---|
| ASSETS | | |
| Cash | $ 4,506 | $ 23,632 |
| Due From Other Funds | | |
| General Fund | 7,358 | 11 |
| Due From Other Governments | | |
| State Revenue Sharing - Act 51 | 8,408 | 9,484 |
| TOTAL ASSETS | $ 20,272 | $ 33,127 |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES | | |
| Accounts payable | 57 | - |
| Due to Other Funds | | |
| General Fund | $ - | $ 255 |
| TOTAL LIABILITIES | $ 57 | $ 255 |
| FUND BALANCE | | |
| Unreserved | 20,215 | 32,872 |
| TOTAL LIABILITIES AND FUND BALANCE | $ 20,272 | $ 33,127 |

VILLAGE OF MARION, MICHIGAN
Major Street Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended February 29, 2008
With Comparative Actual Amounts for Year Ended February 28, 2007

| | FINAL BUDGET | ACTUAL 2008 | ACTUAL 2007 |
|---|---|---|---|
| REVENUES | | | |
| State Grants | | | |
| State Revenue Sharing - Act 51 | $ 63,000 | $ 63,414 | $ 64,553 |
| Interest and Miscellaneous | | | |
| Interest | 500 | 807 | 805 |
| TOTAL REVENUES | $ 63,500 | $ 64,221 | $ 65,358 |
| EXPENDITURES | | | |
| Public Works | | | |
| Routine Maintenance | | | |
| Construction | $ - | $ - | $ 56,116 |
| Salaries and Wages | 7,000 | 4,023 | 1,841 |
| Office Supplies | - | - | - |
| Repair and Maintenance | 6,500 | 5,104 | 4,672 |
| Equipment Rentals | 7,000 | 6,509 | 2,501 |
| Utilities - Signal | - | - | 382 |
| Leave and Benefits | - | 2,638 | 1,259 |
| Winter Maintenance | | | |
| Salaries and Wages | 7,000 | 8,421 | 3,632 |
| Repair and Maintenance | - | 1,558 | 597 |
| Equipment Rentals | 27,000 | 21,999 | 8,327 |
| Leave and Benefits | - | 5,226 | 2,232 |
| Administration Fees | 5,000 | 4,900 | 4,950 |
| Independent Audit and Accounting | 2,000 | 1,400 | 1,500 |
| TOTAL EXPENDITURES | $ 61,500 | $ 61,778 | $ 88,009 |
| Excess (Deficiency) of Revenues over Expenditures | $ 2,000 | $ 2,443 | $ (22,651) |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating Transfers To Other Funds | (17,050) | (15,100) | (200) |
| | $ (17,050) | $ (15,100) | $ (200) |
| Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses) | $ (15,050) | $ (12,657) | $ (22,851) |
| FUND BALANCE - Beginning of Year | 32,872 | 32,872 | 55,723 |
| FUND BALANCE - End of Year | $ 17,822 | $ 20,215 | $ 32,872 |

VILLAGE OF MARION, MICHIGAN
Local Street Fund
Comparative Balance Sheet
February 29, 2008

| | 2008 | 2007 |
|---|---|---|
| ASSETS | | |
| Cash | $ 9,804 | $ 3,889 |
| Due From Other Governments | | |
| State Revenue Sharing - Act 51 | 4,240 | 4,885 |
| Due From Other Funds | | |
| General Fund | 2,850 | 4,399 |
| TOTAL ASSETS | $ 16,894 | $ 13,173 |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES | | |
| Accounts Payable | $ 58 | $ - |
| FUND BALANCE | | |
| Unreserved | 16,836 | 13,173 |
| TOTAL LIABILITIES AND FUND BALANCE | $ 16,894 | $ 13,173 |

VILLAGE OF MARION, MICHIGAN
Local Street Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended February 29, 2008
With Comparative Actual Amounts for Year Ended February 28, 2007

| | FINAL BUDGET | ACTUAL 2008 | ACTUAL 2007 |
|---|---|---|---|
| REVENUES | | | |
| State Grants | | | |
| State Revenue Sharing - Act 51 | $ 24,000 | $ 23,607 | $ 24,699 |
| Interest and Miscellaneous | | | |
| Interest | 300 | 6 | 414 |
| TOTAL REVENUES | $ 24,300 | $ 23,613 | $ 25,113 |
| EXPENDITURES | | | |
| Public Works | | | |
| Routine Maintenance | | | |
| Construction | $ - | $ - | $ 40,803 |
| Salaries and Wages | 8,000 | 2,348 | 3,423 |
| Repair and Maintenance | 5,000 | 1,969 | 1,575 |
| Equipment Rentals | 6,000 | 4,392 | 5,798 |
| Leave and Benefits | - | 1,813 | 2,380 |
| Winter Maintenance | | | |
| Salaries and Wages | 5,000 | 4,504 | 2,402 |
| Equipment Rentals | 13,000 | 14,320 | 4,977 |
| Leave and Benefits | - | 3,154 | 1,674 |
| Office Supplies | - | - | 29 |
| Administration Fees | 3,200 | 950 | 900 |
| Independent Audit and Accounting | 2,000 | 1,400 | 1,500 |
| TOTAL EXPENDITURES | $ 42,200 | $ 34,850 | $ 65,461 |
| Excess (Deficiency) of Revenues Over Expenditures | $ (17,900) | $ (11,237) | $ (40,348) |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating Transfers From Other Funds | 15,750 | 15,000 | 14,230 |
| Operating Transfers To Other Funds | (100) | (100) | (200) |
| Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses) | $ (2,250) | $ 3,663 | $ (26,318) |
| FUND BALANCE - Beginning of Year | 13,173 | 13,173 | 39,491 |
| FUND BALANCE - End of Year | $ 10,923 | $ 16,836 | $ 13,173 |

VILLAGE OF MARION, MICHIGAN
2002 General Obligation Unlimited Tax Bonds Debt Retirement Fund
Comparative Balance Sheet
February 29, 2008
With Comparative Totals for February 28, 2007

| | 2008 | 2007 |
|---|---|---|
| ASSETS | | |
| Cash | $ 69,875 | $ 64,983 |
| TOTAL ASSETS | $ 69,875 | $ 64,983 |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES | $ - | $ - |
| FUND BALANCE | | |
| Reserved for Debt Service | $ 69,875 | $ 64,983 |
| TOTAL LIABILITIES AND FUND BALANCE | $ 69,875 | $ 64,983 |

VILLAGE OF MARION, MICHIGAN
2002 General Obligation Unlimited Tax Bonds Debt Retirement Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended February 29, 2008
With Comparative Actual Amounts for the Year Ended February 28, 2007

| | FINAL BUDGET | Actual 2008 | Actual 2007 |
|---|---|---|---|
| REVENUES | | | |
| Taxes | | | |
| Current Property Taxes | $ 71,000 | $ 73,056 | $ 69,429 |
| Single Business Tax | - | - | 3,711 |
| School Payment | 1,904 | 1,904 | 1,857 |
| Interest and Rents | | | |
| Interest - Marion Public Schools | 1,835 | 1,843 | 1,889 |
| Interest - Other | 900 | 378 | 389 |
| TOTAL REVENUE | $ 75,639 | $ 77,181 | $ 77,275 |
| EXPENDITURES | | | |
| Debit Service | | | |
| Principal | $ 45,000 | $ 45,000 | $ 45,000 |
| Interest | 46,781 | 40,647 | 41,772 |
| Printing and Publishing | | | |
| Office Supplies | - | 55 | 69 |
| Miscellaneous | | | |
| TOTAL EXPENDITURES | $ 91,781 | $ 85,702 | $ 86,841 |
| Excess ( Deficiency) of Revenue Over Expenditures | $ (16,142) | $ (8,521) | $ (9,566) |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating Transfers From Other Funds | | | |
| Water Supply System | | | |
| Operating Transfer | 8,000 | 8,500 | - |
| Assessments in Lieu of Property Taxes | 4,898 | 4,913 | 8,684 |
| Excess (Deficiency) of Revenue Over Expenditures And Sources (Uses) | $ (3,244) | $ 4,892 | $ (882) |
| FUND BALANCE -Beginning of Year | 64,983 | 64,983 | 65,865 |
| FUND BALANCE -End of Year | $ 61,739 | $ 69,875 | $ 64,983 |

VILLAGE OF MARION, MICHIGAN
Water Supply System
Comparative Statement of Net Assets
February 29, 2008

| | 2008 | 2007 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | $ 83,111 | $ 68,763 |
| Due from General Fund | - | 1,799 |
| TOTAL CURRENT ASSETS | $ 83,111 | $ 70,562 |
| CAPITAL ASSETS | | |
| Land | $ 12,150 | $ 12,150 |
| Land Improvements | 5,400 | 5,400 |
| Machinery and Equipment | 58,154 | 58,154 |
| Water Systems | | |
| Wells, Pumps and Pump House | 247,674 | 247,674 |
| Mains and Connections | 1,811,061 | 1,809,521 |
| Towers | 126,875 | 126,875 |
| Meters | 55,930 | 55,610 |
| Less Accumulated Depreciation | (449,984) | (394,510) |
| Net Capital Assets | $ 1,867,260 | $ 1,920,874 |
| TOTAL ASSETS | $ 1,950,371 | $ 1,991,436 |
| LIABILITIES AND FUND EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | $ 1,121 | $ - |
| Customer Deposits Payable | - | 150 |
| TOTAL LIABILITIES | $ 1,121 | $ 150 |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | $ 1,867,260 | $ 1,920,873 |
| Unrestricted | 81,990 | 70,413 |
| TOTAL NET ASSETS | $ 1,949,250 | $ 1,991,286 |

VILLAGE OF MARION, MICHIGAN
Water Supply System
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget and Actual
Year Ended February 29, 2008
With Comparative Actual Amounts for Year Ended February 28, 2007

| | FINAL BUDGET | ACTUAL 2008 | ACTUAL 2007 |
|---|---|---|---|
| OPERATING REVENUES | | | |
| Charges For Services | | | |
| Sales | $ 75,240 | $ 82,287 | $ 79,415 |
| Tap Fees and Installation | 500 | - | 1,205 |
| Refuse Collection | 32,298 | 33,389 | 32,990 |
| Assessments in Lieu of Property Taxes | 4,898 | 4,997 | 3,967 |
| Sale of Fire Hydrants | 80 | - | - |
| Miscellaneous | - | 50 | - |
| TOTAL OPERATING REVENUES | $ 113,016 | $ 120,723 | $ 117,577 |
| OPERATING EXPENSES | | | |
| Personal Services | | | |
| Salaries and Wages | $ 14,000 | $ 13,209 | $ 16,572 |
| Social Security and Medicare | - | 1,011 | 1,267 |
| Unemployment | - | 87 | 93 |
| Workmen's Compensation | - | 526 | 446 |
| Life and Health Insurance | - | 6,310 | 7,968 |
| Retirement | - | 1,033 | 1,128 |
| Supplies | | | |
| Office Supplies | 3,100 | 3,088 | 721 |
| Other Charges and Services | | | |
| Memberships and Dues | 1,000 | 676 | 40 |
| Independent Audit and Accounting | 3,000 | 2,400 | 2,500 |
| Attorney Fees | - | 375 | |
| Administrative Fees | 8,000 | 8,000 | 8,000 |
| Operational Supplies | 1,200 | 1,200 | |
| Insurance | 775 | 627 | 738 |
| Utilities | 11,000 | 6,607 | 9,279 |
| Repair and Maintenance | 10,500 | 6,857 | 9,758 |
| Equipment Rentals | 10,000 | 8,455 | 5,660 |
| Education and Training | 1,000 | 1,140 | 985 |
| Depreciation | - | 55,474 | 55,613 |
| Capital Outlay | 10,000 | - | - |
| Software Maintenance | - | - | 656 |
| Contractual Fees- Refuse | 32,928 | 32,016 | 30,986 |
| Printing and Publishing | 450 | 446 | 254 |
| TOTAL OPERATING EXPENSES | $ 109,703 | $ 152,092 | $ 153,745 |
| OPERATING INCOME (LOSS) | $ 3,313 | $ (31,369) | $ (36,168) |

-Continued –

VILLAGE OF MARION, MICHIGAN
Water Supply System
Schedule of Revenues, Expenses and Changes in Fund Net Assets - Continued
Budget and Actual
Year Ended February 29, 2008
With Comparative Actual Amounts for Year Ended February 28, 2007

| | FINAL BUDGET | ACTUAL 2008 | ACTUAL 2007 |
|---|---|---|---|
| NON-OPERATING REVENUE (EXPENSES) | | | |
| Interest | $ 200 | $ 2,846 | $ 1,291 |
| Operating Transfers From (To) Other Funds | | | |
| General Fund - Planning Commission | (100) | (100) | (200) |
| Water Bond Debt Retirement Fund | | | |
| Budgeted Transfer | - | (8,500) | - |
| Assessments in Lieu of Property Taxes | (8,000) | (4,913) | (8,684) |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | $ (7,900) | $ (10,667) | $ (7,593) |
| CHANGE IN NET ASSETS | $ (4,587) | $ (42,036) | $ (43,761) |
| NET ASSETS- Beginning of Year | 1,991,286 | 1,991,286 | 2,035,047 |
| NET ASSETS- End of Year | $ 1,986,699 | $ 1,949,250 | $ 1,991,286 |

VILLAGE OF MARION, MICHIGAN
Water Supply System
Comparative Statement of Cash Flows
Year Ended February 29, 2008

| | 2008 | 2007 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts | $ 120,723 | $ 117,577 |
| Payments to Suppliers | (64,184) | (70,453) |
| Payments to Employees | (13,209) | (16,572) |
| Payments to Other Funds | (16,455) | (13,660) |
| Net Cash Provided (Used) By Operating Activities | $ 26,875 | $ 16,892 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| Operating Transfers to Other Funds | $ (13,513) | $ (8,884) |
| Net Cash Flows From Non-Capital Financing Activities | $ (13,513) | $ (8,884) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchase of Capital Assets | $ (1,860) | $ (16,334) |
| Net Cash Flows from Capital and Related Financing Activities | $ (1,860) | $ (16,334) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest | $ 2,846 | $ 1,291 |
| Net Increase (Decrease) in Cash and Cash Equivalents | $ 14,348 | $ (7,035) |
| Cash and Cash Equivalents - Beginning of Year | 68,763 | 75,798 |
| Cash and Cash Equivalents - End of Year | $ 83,111 | $ 68,763 |
| RECONCILIATION OF INCOME OPERATING INCOME (LOSS) NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Operating Income (Loss) | $ (31,369) | $ (36,168) |
| Adjustments to ReconcileOperating Income (Loss) To Net Cash Provided By Operating Activities: | | |
| Depreciation Expense | 55,474 | 55,613 |
| Changes in Assets and Liabilities: | | |
| ( Increase) Decrease in Due from Other Funds | 1,799 | (1,799) |
| Increase (Decrease) in Accounts Payable | 971 | (754) |
| Net Cash Provided (Used) by Operating Activities | $ 26,875 | $ 16,892 |

VILLAGE OF MARION, MICHIGAN
Sewage Disposal System
Comparative Statement of Net Assets
February 29, 2008

| ASSETS | 2008 | 2007 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash | $ 55,751 | $ 52,794 |
| TOTAL CURRENT ASSETS | $ 55,751 | $ 52,794 |
| CAPITAL ASSETS | | |
| Land | $ 20,138 | $ 20,138 |
| Building | 20,000 | 20,000 |
| Machinery and Equipment | 28,795 | 28,795 |
| Sewer Systems | | |
| Collection System | 1,057,228 | 1,057,228 |
| Lift Station | 113,672 | 113,672 |
| Treatment System | 512,391 | 512,391 |
| Meters | 18,966 | 18,646 |
| Less Accumulated Depreciation | (1,012,739) | (966,484) |
| Net Capital Assets | $ 758,451 | $ 804,386 |
| TOTAL ASSETS | $ 814,202 | $ 857,180 |
| LIABILITIES AND FUND EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | $ 175 | $ - |
| TOTAL LIABILITIES | $ 175 | $ - |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | $ 758,451 | $ 804,386 |
| Unrestricted | 55,576 | 52,794 |
| TOTAL NET ASSETS | $ 814,027 | $ 857,180 |

VILLAGE OF MARION, MICHIGAN
Sewage Disposal System
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget and Actual
Year Ended February 29, 2008
With Comparative Actual Amounts for Year Ended February 28, 2007

| | FINAL BUDGET | ACTUAL 2008 | ACTUAL 2007 |
|---|---|---|---|
| OPERATING REVENUES | | | |
| Charges For Services | | | |
| Sales | $ 40,000 | $ 42,522 | $ 42,211 |
| Tap Fees and Installation | 500 | - | 500 |
| TOTAL OPERATING REVENUES | $ 40,500 | $ 42,522 | $ 42,711 |
| OPERATING EXPENSES | | | |
| Collection and Treatment | | | |
| Personal Services | | | |
| Salaries and Wages | $ 15,000 | $ 9,644 | $ 11,471 |
| Employee Benefits | | | |
| Social Security and Medicare | - | 791 | 877 |
| Retirement Expense | - | 987 | 950 |
| Unemployment | - | 83 | 65 |
| Workmen's Compensation | - | 201 | 322 |
| Life and Health Insurance | - | 4,507 | 5,300 |
| Operational Supplies | 1,200 | 1,200 | |
| Other Charges and Services | | | |
| Professional Services | | | |
| Audit | 3,000 | 2,400 | 2,500 |
| Engineering | - | 8,000 | - |
| Administrative Fees | 8,000 | 66 | 8,000 |
| Insurance | 375 | 2,305 | 339 |
| Utilities | 2,500 | 515 | 1,918 |
| Office Supplies | 700 | | 517 |
| Software Maintenance | - | | 612 |
| Operating Supplies | 1,000 | 962 | - |
| Repair and Maintenance | 10,000 | 3,303 | 11,295 |
| Equipment Rentals | 10,000 | 9,332 | 7,941 |
| Education and Training | 200 | - | - |
| Memberships and Dues | 100 | - | 400 |
| Depreciation | - | 46,254 | 45,693 |
| Capital Outlay | 10,000 | - | - |
| TOTAL OPERATING EXPENSES | $ 62,075 | $ 90,550 | $ 98,200 |
| OPERATING INCOME (LOSS) | $ (21,575) | $ (48,028) | $ (55,489) |

VILLAGE OF MARION, MICHIGAN
Sewage Disposal System
Schedule of Revenues, Expenses and Changes in Fund Net Assets - Continued
Budget and Actual
Year Ended February 29, 2008
With Comparative Actual Amounts for Year Ended February 28, 2007

| | FINAL BUDGET | ACTUAL 2008 | ACTUAL 2007 |
|---|---|---|---|
| NON-OPERATING REVENUE (EXPENSES) | | | |
| Interest | $ 1,000 | $ 3,075 | $ 1,286 |
| Rental Income | 2,000 | 2,000 | 4,000 |
| Operating Transfers From (To) Other Funds | | | |
| General Fund - Planning Commission | (200) | (200) | (500) |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | $ 2,800 | $ 4,875 | $ 4,786 |
| CHANGE IN NET ASSETS | $ (18,775) | $ (43,153) | $ (50,703) |
| NET ASSETS - Beginning of Year | 857,180 | 857,180 | 907,883 |
| NET ASSETS - End of Year | $ 838,405 | $ 814,027 | $ 857,180 |

VILLAGE OF MARION, MICHIGAN
Sewage Disposal System
Comparative Statement of Cash Flows
February 29, 2008

| | 2008 | 2007 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts From Customers | $ 42,522 | $ 42,211 |
| Payments to Suppliers | (17,144) | (24,748) |
| Payments to Employees | (9,644) | (11,471) |
| Payments to Other Funds | (17,332) | (15,941) |
| Net Cash Provided (Used) By Operating Activities | $ (1,598) | $ (9,949) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| Operating Transfers to Other Funds | $ (200) | $ (500) |
| Rental Income | 2,000 | 4,000 |
| Net Cash Flows from Non-Capital Financing Activities | $ 1,800 | $ 3,500 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchase of Capital Assets | $ (320) | $ (21,547) |
| Net Cash Provided (Used) By Capital Activities | $ (320) | $ (21,547) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest | $ 3,075 | $ 1,286 |
| Net (Decrease) in Cash and Cash Equivalents | $ 2,957 | $ (26,710) |
| Cash and Cash Equivalents - Beginning of Year | 52,794 | 79,504 |
| Cash and Cash Equivalents - End of Year | $ 55,751 | $ 52,794 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED USED BY OPERATING ACTIVITIES | | |
| Operating Income (Loss) | $ (48,028) | $ (55,489) |
| Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities: | | |
| Depreciation Expenses | 46,255 | 45,693 |
| Changes in Assets and Liabilities: | | |
| Increase (Decrease) in Accounts Payable | 175 | (153) |
| Net Cash Provided (Used) by Operating Activities | $ (1,598) | $ (9,949) |

VILLAGE OF MARION, MICHIGAN
Combining Balance Sheet
Non-Major Governmental Fund Types
Year Ended February 29, 2008

| | Industrial Complex Construction Fund | Total Non- Major Governmental Funds |
|---|---|---|
| ASSETS | | |
| Cash | $ 8,882 | $ 8,882 |
| Total Assets | $ 8,882 | $ 8,882 |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities | $ - | $ - |
| Fund Balance | 8,882 | 8,882 |
| Total Liabilities and Fund Balance | $ 8,882 | $ 8,882 |

VILLAGE OF MARION, MICHIGAN
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Fund Types
Year Ended February 29, 2008

| | Construction Fund | Governmental Funds |
|---|---|---|
| REVENUES | | |
| Interest | $ 315 | $ 315 |
| EXPENDITURES | - | - |
| Excess (Deficiency) of Revenues Over Expenditures | $ 315 | $ 315 |
| Fund Balance - Beginning Of Year | 8,567 | 8,567 |
| Fund Balance - End Of Year | $ 8,882 | $ 8,882 |

VILLAGE OF MARION, MICHIGAN
Industrial Complex Construction Fund
Comparative Balance Sheet
February 29, 2008
With Comparative Totals for February 28, 2007

| | 2008 | 2007 |
|---|---|---|
| ASSETS | | |
| Cash | $ 8,882 | $ 8,567 |
| TOTAL ASSETS | $ 8,882 | $ 8,567 |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES | $ - | $ - |
| FUND BALANCE | $ 8,882 | $ 8,567 |
| TOTAL LIABILITIES AND FUND BALANCE | $ 8,882 | $ 8,567 |

VILLAGE OF MARION, MICHIGAN
Industrial Complex Construction Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended February 29, 2008
With Comparative Actual Amounts for Year Ended February 28, 2007

| | FINAL BUDGET | ACTUAL 2008 | ACTUAL 2007 |
|---|---|---|---|
| REVENUES | | | |
| Interest | $ 15 | $ 315 | $ 152 |
| TOTAL REVENUES | $ 15 | $ 315 | $ 152 |
| EXPENDITURES | | | |
| Salaries and Wages | $ 500 | $ - | $ - |
| Equipment Rentals | 500 | - | - |
| TOTAL EXPENDITURES | $ 1,000 | $ - | $ - |
| Excess (Deficiency) of Revenues Over Expenditures | $ (985) | $ 315 | $ 152 |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating Transfers To Other Funds | - | - | - |
| Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses) | $ (985) | $ 315 | $ 152 |
| FUND BALANCE - Beginning of Year | 8,567 | 8,567 | 8,415 |
| FUND BALANCE - End of Year | $ 7,582 | $ 8,882 | $ 8,567 |

VILLAGE OF MARION, MICHIGAN
Component Units
Combining Balance Sheet
February 29, 2008
With Comparative Totals for February 28, 2007

| | MARION COMMUNITY FIRE DEPT. | DOWNTOWN DEVELOPMENT AUTHORITY | MARION PUBLIC LIBRARY | TOTALS 2008 | TOTALS 2007 |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Cash | $ 54,306 | $ 53,310 | $ 232,920 | $ 340,536 | $ 309,765 |
| Accounts Receivable | - | - | - | - | - |
| Due From Other Governments | 14,885 | - | 1,388 | 16,273 | 18,098 |
| TOTAL ASSETS | $ 69,191 | $ 53,310 | $ 234,308 | $ 356,809 | $ 327,863 |
| LIABILITIES AND FUND BALANCE | | | | | |
| LIABILITIES | | | | | |
| Accounts Payable | $ 1,469 | $ - | $ 472 | $ 1,941 | $ 4,694 |
| Payroll Tax Withholding Payable | - | - | 590 | 590 | - |
| Retirement Payable | - | - | 43 | 43 | 117 |
| TOTAL LIABILITIES | $ 1,469 | $ - | $ 1,105 | $ 2,574 | $ 4,811 |
| FUND BALANCE | | | | | |
| Unreserved | 67,722 | 53,310 | 233,203 | 354,235 | 323,052 |
| TOTAL LIABILITIES AND FUND BALANCE | $ 69,191 | $ 53,310 | $ 234,308 | $ 356,809 | $ 327,863 |

VILLAGE OF MARION, MICHIGAN
Component Units
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Year Ended February 29, 2008
With Comparative Actual Amounts for Year Ended February 28, 2007

| | MARION COMMUNITY FIRE DEPT. | DOWNTOWN DEVELOPMENT AUTHORITY | MARION PUBLIC LIBRARY | TOTALS 2008 | TOTALS 2007 |
|---|---|---|---|---|---|
| REVENUES | | | | | |
| Taxes | $ - | $ 16,476 | $ 11,949 | $ 28,425 | $ 27,468 |
| State Grants | - | - | 37,773 | 37,773 | 38,614 |
| Contribution From Local Units | 73,539 | - | 2,990 | 76,529 | 72,010 |
| Charges For Service | 9,175 | - | 1,433 | 10,608 | 6,656 |
| Fines and Forfeits | - | - | 492 | 492 | 432 |
| Interest and Rents | 212 | 10,651 | 9,746 | 20,609 | 14,536 |
| Other Revenues | 23,408 | 51 | 11,299 | 34,758 | 9,879 |
| TOTAL REVENUES | $ 106,334 | $ 27,178 | $ 75,682 | $ 209,194 | $ 169,595 |
| EXPENDITURES | | | | | |
| Buildings and Grounds | $ - | $ 9,224 | $ - | $ 9,224 | $ 80,400 |
| Public Safety | 92,998 | - | - | 92,998 | 122,990 |
| Recreation and Culture | - | - | 84,856 | 84,856 | 86,766 |
| TOTAL EXPENDITURES | $ 92,998 | $ 9,224 | $ 84,856 | $ 187,078 | $ 290,156 |
| Excess (Deficiency) of Revenues Over Expenditures | $ 13,336 | $ 17,954 | $ (9,174) | $ 22,116 | $ (120,561) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Operating Transfers From(to) | | | | | - |
| Primary Government | 6,088 | 32,135 | - | 38,223 | 38,253 |
| Component Units | 1,500 | (1,500) | - | - | - |
| Principal Lease Payments | (8,466) | (16,000) | - | (24,466) | (24,132) |
| Interest Payments | (1,928) | (2,762) | - | (4,690) | (5,114) |
| Loan Proceeds | - | - | - | - | 40,895 |
| Excess (Deficiency) of Revenue Over Expenditures and Other Sources (Uses) | $ 10,530 | $ 29,827 | $ (9,174) | $ 31,183 | $ (70,659) |
| | | | | | - |
| FUND BALANCE -Beginning of Year | 57,192 | 23,483 | 242,377 | 323,052 | 393,711 |
| FUND BALANCE -End of Year | $ 67,722 | $ 53,310 | $ 233,203 | $ 354,235 | $ 323,052 |

VILLAGE OF MARION, MICHIGAN
Marion Community Fire Department Fund
Comparative Balance Sheet
February 29, 2008

| | 2008 | 2007 |
|---|---|---|
| ASSETS | | |
| Cash | $ 54,306 | $ 45,440 |
| Due From Other Governments | 14,885 | 15,852 |
| TOTAL ASSETS | $ 69,191 | $ 61,292 |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES | | |
| Accounts Payable | $ 1,469 | $ 4,100 |
| TOTAL LIABILITIES | $ 1,469 | $ 4,100 |
| FUND BALANCE | | |
| Unreserved | $ 67,722 | 57,192 |
| TOTAL LIABILITIES AND FUND BALANCE | $ 69,191 | $ 61,292 |

VILLAGE OF MARION, MICHIGAN
Marion Community Fire Department Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended February 29, 2008
With Comparative Actual Amounts for Year Ended February 28, 2007

| | FINAL BUDGET | ACTUAL 2008 | ACTUAL 2007 |
|---|---|---|---|
| REVENUES | | | |
| Contribution From Local Units | | | |
| Hartwick Township | $ 10,280 | $ 10,876 | $ 10,277 |
| Highland Township | 13,452 | 14,573 | 13,448 |
| Redding Township | 99 | 99 | 99 |
| Marion Township | 16,732 | 17,669 | 16,727 |
| Middle Branch Township | 10,415 | 11,627 | 10,411 |
| Winterfield Township | 18,600 | 18,695 | 18,058 |
| Charges For Services | | | |
| Fire Runs | 3,000 | 8,325 | 3,498 |
| Extraction Fees | 4,000 | - | 1,000 |
| Auto Accidents | 1,500 | 850 | 650 |
| Interest and Rents | | | |
| Interest | 15 | 212 | 407 |
| Other Revenues | | | |
| Donations | - | 17,192 | - |
| Miscellaneous | 100 | 8 | 316 |
| Great Lakes Energy Resources Grant | - | - | 2,200 |
| Insurance Reimbersment | - | 6,208 | - |
| TOTAL REVENUES | $ 78,193 | $ 106,334 | $ 77,091 |
| EXPENDITURES | | | |
| Public Safety | | | |
| Fire Protection | | | |
| Salaries and Wages | $ 10,000 | $ 12,288 | $ 9,275 |
| Life Insurance | 800 | 766 | 766 |
| Workmen's Compensation | 2,000 | 1,763 | 1,517 |
| Office Supplies | 425 | 585 | 1,183 |
| Computer Software | - | | 300 |
| Operating Supplies | 2,000 | 3,160 | 2,620 |
| Legal Fees | - | | 68 |
| Independent Audit and Accounting | 2,000 | 1,400 | 1,500 |
| Memberships and Dues | 150 | 545 | 265 |
| Communications | 3,000 | 4,115 | 3,518 |
| Gas and Oil | 3,000 | 5,029 | 3,332 |
| Insurance | 18,000 | 13,565 | 15,699 |
| Utilities | 8,000 | 7,020 | 6,453 |
| Repair and Maintenance | 8,000 | 7,545 | 9,441 |
| Rent | 1,500 | 1,431 | 1,316 |
| Administrative Fees | 1,000 | - | - |
| Printing and Publishing | 100 | 32 | - |

-Continued –

VILLAGE OF MARION, MICHIGAN
Marion Community Fire Department Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance – Continued
Budget and Actual
Year Ended February 29, 2008
With Comparative Actual Amounts for Year Ended February 28, 2007

| | FINAL BUDGET | ACTUAL 2008 | ACTUAL 2007 |
|---|---|---|---|
| EXPENDITURES - Continued | | | |
| Public Safety - Continued | | | |
| Fire Protection - Continued | | | |
| Education and Training | $ 1,000 | $ 2,515 | $ 900 |
| Buildings | - | - | 11,450 |
| Equipment | 7,000 | 31,239 | 7,295 |
| Fire Truck | 8,000 | - | 46,092 |
| TOTAL EXPENDITURES | $ 75,975 | $ 92,998 | $ 122,990 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | $ 2,218 | $ 13,336 | $ (45,899) |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating Transfers In From Primary Government | $ 5,788 | $ 6,088 | $ 5,786 |
| Operating Transfers In From Component Units | | | |
| Downtown Development Authority | - | 1,500 | - |
| Proceeds from Fire Truck Lease | - | - | 40,895 |
| Principal Payments of Capital Lease | - | (8,466) | (8,132) |
| Interest Payments | (3,000) | (1,928) | (1,235) |
| Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses) | $ 5,006 | $ 10,530 | $ (8,585) |
| FUND BALANCE - Beginning of Year | 57,192 | 57,192 | 65,777 |
| FUND BALANCE - End of Year | $ 62,198 | $ 67,722 | $ 57,192 |

VILLAGE OF MARION, MICHIGAN
Downtown Development Authority Fund
Comparative Balance Sheet
February 29, 2008

| | 2008 | 2007 |
|---|---|---|
| ASSETS | | |
| Cash | $ 53,310 | $ 23,483 |
| TOTAL ASSETS | $ 53,310 | $ 23,483 |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES | $ - | $ - |
| FUND BALANCE | | |
| Unreserved | $ 53,310 | $ 23,483 |
| TOTAL LIABILITIES AND FUND BALANCE | $ 53,310 | $ 23,483 |

VILLAGE OF MARION, MICHIGAN
Downtown Development Authority Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended February 29, 2008 with Comparative Actual Amounts for Year Ended February 28, 2007

| | FINAL BUDGET | ACTUAL 2008 | ACTUAL 2007 |
|---|---|---|---|
| REVENUES | | | |
| Current Property Taxes | | | |
| Marion Township | $ 12,244 | $ 16,476 | $ 15,279 |
| Rent | 10,800 | 10,650 | 5,400 |
| Refund of Jenkins Property Taxes | - | - | 321 |
| Utility Reimbursement | - | - | 1,435 |
| Interest | 10 | 1 | 1 |
| Miscellaneous | - | 51 | - |
| TOTAL REVENUES | $ 23,054 | $ 27,178 | $ 22,436 |
| EXPENDITURES | | | |
| Independent Audit and Accounting | $ - | $ 1,400 | $ 1,500 |
| Appraisal Fees | - | 1,200 | - |
| Attorney | - | 217 | 75 |
| Professional Services | 2,500 | - | - |
| Projects Director | 3,000 | 2,750 | 3,000 |
| Office Supplies | 1,000 | 65 | 205 |
| Printing & Publishing | - | | - |
| Utilities | 1,200 | 1,392 | 4,197 |
| Property Taxes | - | - | - |
| Repairs and Maintenance | 3,000 | 1,800 | 315 |
| Insurance | - | - | 460 |
| Community Promotion | 1,000 | 400 | - |
| Capital Outlay: | | | - |
| Real Estate Aquisitions | 5,000 | - | - |
| Property Improvements | 15,000 | - | - |
| Sible Building | - | - | 70,648 |
| Mill Pond Project | 1,000 | - | - |
| ParkJenkins Project | 1,000 | - | - |
| TOTAL EXPENDITURES | $ 33,700 | $ 9,224 | $ 80,400 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | $ (10,646) | $ 17,954 | $ (57,964) |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating Transfers From (To) | | | |
| Primary Government | | | |
| Current Property Taxes | 29,019 | 32,135 | 32,467 |
| Operating Transfers to Component Units | | | |
| Marion Community Fire Department | (1,500) | (1,500) | - |
| Loan Proceeds | - | - | - |
| Loan Principal | (16,000) | (16,000) | (16,000) |
| Loan Interest | (3,396) | (2,762) | (3,879) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES) | $ (2,523) | $ 29,827 | $ (45,376) |
| FUND BALANCE - Beginning of Year | 23,483 | 23,483 | 68,859 |
| FUND BALANCE - End of Year | $ 20,960 | $ 53,310 | $ 23,483 |

VILLAGE OF MARION, MICHIGAN
Marion Public Library Fund
Comparative Balance Sheet
February 29, 2008

| | 2008 | 2007 |
|---|---|---|
| ASSETS | | |
| Cash | $ 232,920 | $ 240,842 |
| Due From Other Governments | | |
| Contribution From Local Units | 1,388 | 2,246 |
| TOTAL ASSETS | $ 234,308 | $ 243,088 |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES | | |
| Accounts Payable | $ 472 | $ 594 |
| Payroll Tax Withholdings Payable | 590 | - |
| Retirement Payable | 43 | 117 |
| TOTAL LIABILITIES | $ 1,105 | $ 711 |
| FUND BALANCE | | |
| Unreserved | 233,203 | 242,377 |
| TOTAL LIABILITIES AND FUND BALANCE | $ 234,308 | $ 243,088 |

VILLAGE OF MARION, MICHIGAN
Marion Public Library Fund
Schedule of Revenues, Expenditures and Changes In Fund Balance
Budget and Actual
Year Ended February 29, 2008
With Comparative Actual Amounts for Year Ended February 28, 2007

| | FINAL BUDGET | ACTUAL 2008 | ACTUAL 2007 |
|---|---|---|---|
| REVENUES | | | |
| Taxes | | | |
| Current Tax Levy | $ 11,600 | $ 11,949 | $ 11,570 |
| Single Business Tax | - | - | 619 |
| State Grants | | | |
| State Aid | 3,600 | 2,947 | 3,116 |
| Penal Fines | 35,000 | 34,826 | 35,498 |
| Contribution From Local Units | 3,000 | 2,990 | 2,990 |
| Charges For Services | | | |
| Copy, Fax and Postage Fees | 700 | 961 | 833 |
| Book Sales | 500 | 472 | 675 |
| Fines and Forfeits | | | |
| Book Fines | 400 | 492 | 432 |
| Interest and Rents | | | |
| Interest | 8,000 | 9,746 | 8,728 |
| Other Revenue | | | |
| Oil Royalties | 2,000 | 1,259 | 2,319 |
| Contributions and Donations | 100 | 10,040 | 3,106 |
| Childrens Section Improvement | - | - | 182 |
| Miscellaneous | 50 | - | - |
| TOTAL REVENUES | $ 64,950 | $ 75,682 | $ 70,068 |
| EXPENDITURES | | | |
| Recreation and Culture | | | |
| Salaries and Wages | $ 28,000 | $ 27,198 | $ 27,005 |
| Social Security and Medicare | 1,800 | 2,297 | 1,362 |
| Retirement | 1,500 | 1,094 | 1,797 |
| Unemployment | 150 | - | - |
| Workmen's Compensation | 70 | - | 56 |
| Life and Health Insurance | 14,000 | 13,968 | 13,392 |
| Office Supplies | 1,500 | 1,231 | 2,124 |
| Periodicals and Subscriptions | 500 | 895 | 368 |
| Independent Audit and Accounting | 2,200 | 2,100 | 2,200 |
| Memberships and Dues | 1,850 | 1,663 | 1,893 |
| Communications | 450 | 217 | 226 |
| Contracted Services-Library Automation | 2,500 | - | - |

-Continued –

VILLAGE OF MARION, MICHIGAN
Marion Public Library Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Continued
Budget and Actual
Year Ended February 29, 2008
With Comparative Actual Amounts for Year Ended February 28, 2007

| | FINAL BUDGET | ACTUAL 2008 | ACTUAL 2007 |
|---|---|---|---|
| EXPENDITURES - Continued | | | |
| Recreation and Culture - Continued | | | |
| Miscellaneous | $ - | $ - | $ 200 |
| Insurance | 6,000 | 5,216 | 4,646 |
| Utilities | 4,000 | 3,449 | 3,583 |
| Repair and Maintenance | 2,350 | 1,427 | 1,947 |
| Education and Training | 250 | 59 | 98 |
| Administrative Fees | 1,500 | 1,500 | 1,500 |
| Donation Fund Expense | 60 | 2,903 | 2,632 |
| Customer Books | 300 | 398 | - |
| Childrens Programs | 600 | 1,185 | 184 |
| Capital Outlay | | | |
| Equipment | 1,500 | 720 | 11,532 |
| Books | 8,500 | 8,647 | 10,021 |
| Building | 500 | 8,689 | - |
| TOTAL EXPENDITURES | $ 80,080 | $ 84,856 | $ 86,766 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | $ (15,130) | $ (9,174) | $ (16,698) |
| FUND BALANCE - Beginning of Year | 242,377 | 242,377 | 259,075 |
| FUND BALANCE - End of Year | $ 227,247 | $ 233,203 | $ 242,377 |

WILSON,
SHARRAR &
FREEZE, P.C.

Certified Public Accountants

To the Village Council
Village of Marion
Marion, MI

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Marion as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Marion's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we considered to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Village and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Council must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

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P.O Box 788 ■ 426 N. First Street ■ Suite 102 ■ Harrison, Michigan 48625 ■ (989) 539-2620

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan Governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the governments to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance of GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the governments to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

This communication is intended solely for the information and use of management, the Council, and others within the organization. This restriction is not intended to limit the distribution of the report which is a matter of public record.

Wilson, Sharrar & Freeze, P.C.

Wilson, Sharrar & Freeze, P.C.
Mount Pleasant, MI 48858
August 27, 2008

WILSON,
SHARRAR &
FREEZE, P.C.

Certified Public Accountants

August 27, 2008

To the Village Council
Village of Marion
Marion, MI

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Village of Marion for the year ended February 29, 2008, and have issued our report thereon dated August 27, 2007. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated June 11, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

**Significant Audit Findings**

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village of Marion are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007 - 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We did not identify any material misstatements.

***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated August 27, 2008.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our response were not a condition to our retention.

This information is intended solely for the use of The Council and management of The Village of Marion. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Very Truly Yours,

Wilson, Sharrar & Freeze, P.C.

Wilson, Sharrar & Freeze, P.C.