

Egelston Township
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2011

Egelston Township

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As management of Egelston Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2011. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, community and economic development and cultural and recreational activities. The business-type activities of the Township are sewer services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories - governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

Egelston Township maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund, and Street Light Fund which are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds. The Township has an enterprise proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses an enterprise fund to account for its sewer operations. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund, Fire Fund, and Street Light Fund.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information on budgetary information.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for the Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of June 30, 2011, the Township's net assets from governmental activities totaled \$3,266,275 (48%) and \$3,491,943 (52%) from business-type activities, creating a total government-wide net assets total of \$6,758,218.

Egelston Township

Management's Discussion and Analysis

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental activities actually depict a balance of \$1,809,532. This represents the amount of discretionary resources that can be used for general governmental operations.

The business-type activities show a total of \$3,491,943 in net assets and \$1,526,476 in unrestricted net assets.

Current assets for the governmental activities increased by approximately \$170,000 from the prior year, which mirrored the overall increase in unrestricted net assets. Capital assets decreased by approximately \$96,000 due to depreciation as the Township did not purchase many capital assets this year. Noncurrent liabilities increased by approximately \$146,000 as the Township recorded a liability for its unfunded annual required contribution for other postemployment benefits in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Capital assets for the business-type activities decreased by approximately \$146,000 because depreciation exceeded capital asset additions for the year.

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current assets and other assets	\$ 2,456,253	\$ 2,285,979	\$ 1,597,146	\$ 1,573,662	\$ 4,053,399	\$ 3,859,641
Capital assets	1,242,815	1,339,097	3,589,727	3,735,500	4,832,542	5,074,597
Total assets	3,699,068	3,625,076	5,186,873	5,309,162	8,885,941	8,934,238
Current liabilities	137,166	138,719	104,669	101,312	241,835	240,031
Noncurrent liabilities	295,627	149,006	1,590,261	1,623,146	1,885,888	1,772,152
Total liabilities	432,793	287,725	1,694,930	1,724,458	2,127,723	2,012,183
Net assets						
Invested in capital assets, net of related debt	1,242,815	1,339,097	1,965,467	2,079,354	3,208,282	3,418,451
Restricted	213,928	253,921	-	-	213,928	253,921
Unrestricted	1,809,532	1,744,333	1,526,476	1,505,350	3,336,008	3,249,683
Total net assets	\$ 3,266,275	\$ 3,337,351	\$ 3,491,943	\$ 3,584,704	\$ 6,758,218	\$ 6,922,055

Egelston Township

Management's Discussion and Analysis

The results of this year's operations for the Township as a whole are reported in the statement of activities, which shows changes in net assets.

Change in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues						
Charges for services	\$ 209,243	\$ 153,017	\$ 547,699	\$ 482,749	\$ 756,942	\$ 635,766
Operating grants and contributions	3,305	3,149	-	-	3,305	3,149
Capital grants and contributions	20,735	3,725	9,750	22,750	30,485	26,475
General revenues						
Property taxes	982,550	990,760	-	-	982,550	990,760
Franchise fees	81,999	73,629	-	-	81,999	73,629
Grants and contributions not restricted	668,511	628,344	-	-	668,511	628,344
Unrestricted investment earnings	18,347	28,145	18,356	21,198	36,703	49,343
Miscellaneous	22,944	31,138	-	-	22,944	31,138
Gain on sale of capital assets	4,568	6,676	10,153	-	14,721	6,676
Total revenues	2,012,202	1,918,583	585,958	526,697	2,598,160	2,445,280
Expenses:						
General government	839,126	804,721	-	-	839,126	804,721
Public safety	1,015,380	962,366	-	-	1,015,380	962,366
Public works	154,206	162,631	-	-	154,206	162,631
Community and economic development	5,633	5,774	-	-	5,633	5,774
Culture and recreation	68,933	67,130	-	-	68,933	67,130
Sewer Fund	-	-	678,719	691,702	678,719	691,702
Total expenses	2,083,278	2,002,622	678,719	691,702	2,761,997	2,694,324
Change in net assets	(71,076)	(84,039)	(92,761)	(165,005)	(163,837)	(249,044)
Net assets - Beginning	3,337,351	3,421,390	3,584,704	3,749,709	6,922,055	7,171,099
Net assets - Ending	\$ 3,266,275	\$ 3,337,351	\$ 3,491,943	\$ 3,584,704	\$ 6,758,218	\$ 6,922,055

For the year ended June 30, 2011, net assets decreased by \$71,076 and \$92,761 in governmental activities and business-type activities, respectively. This resulted in an overall decrease of \$163,837 government wide.

Governmental Activities

Charges for services increased by approximately \$56,000 due to more permit activity and a new contract with Muskegon County to provide fire protection to the wastewater treatment facility. Capital grants and contributions increased by approximately \$17,000 as the Township received a Homeland Security grant for the fire department. Grants and contributions not restricted increased by approximately \$40,000 due to higher constitutional revenue sharing.

General government expenses increased by approximately \$35,000 due to election costs and some small increases in other areas. Public safety expenses increased by approximately \$53,000 due to purchases of non-capital items with the Homeland Security grant and costs incurred studying a possible new fire station.

Business-type Activities

Charges for services increased by approximately \$65,000 due to a 30% rate increase midway through the prior fiscal year. Capital grants and contributions decreased by \$13,000 as most individuals able to connect to the Township's recent sewer expansion have now connected. Sewer Fund expenses decreased approximately \$13,000 due to fewer repairs.

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2011, the governmental funds reported a combined unassigned fund balance of \$919,334, all of which is in the General Fund. The remainder of the fund balance is nonspendable as it has been spent on prepaid items for the following year or is restricted for fire protection, street lights, or the Township festival. The Township has also committed \$1,066,129 for various capital improvements and other anticipated projects. \$140,455 is assigned for next fiscal year as the Township has budgeted the use of fund balance in its fiscal 2011/2012 budget.

The General Fund is the chief operating fund of the Township. At June 30, 2011, the General Fund fund balance was \$2,142,257, an increase of \$233,603 from fiscal 2010. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 89% of the General Fund expenditures.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net assets of the Sewer Fund decreased by \$92,761.

Egelston Township

Management's Discussion and Analysis

General Fund Budget

During the current fiscal year, the Township made several amendments to its original budget as follows:

- The property tax revenues budget was increased by \$11,590 because the Township's original budget for administration fees was too low.
- The licenses and permits revenues budget was increased by \$58,303 as cable franchise fees continue to rise and building permits were higher than expected.

The following comments summarize the major variations from the final budget to actual revenues and expenditures:

- Intergovernmental revenues – State were over the final budget by \$48,685 as the Township was conservative with its budget for revenue sharing but benefitted from higher than anticipated constitutional revenue sharing.
- Payroll benefits expenditures were under the final budget by \$28,703 as health insurance costs did not rise as much as expected and the Township reduced its contribution to the defined contribution pension plan from 15% to 14%.
- Insurance expenditures were under the final budget by \$16,007 because the Township increased it deductible on the liability insurance which resulted in a lower premium.
- Transfers out were under the final budget by \$250,842 as the Township was able to obtain a Homeland Security grant in the Fire Fund for costs that it had budgeted to transfer from the General Fund.

Capital Assets Administration

The Township's investment in capital assets for its governmental and business-type activities as of June 30, 2011 totaled \$4,832,542 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, office equipment, equipment, utility systems and vehicles.

Major capital asset additions during the current year included a backhoe, fire tanker, and fire chief's vehicle.

Capital Assets (Net of Accumulated Depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Land	\$ 229,710	\$ 229,710	\$ 7,934	\$ 7,934	\$ 237,644	\$ 237,644
Construction in progress	4,632	-	-	-	4,632	-
Land improvements	183,144	201,437	-	-	183,144	201,437
Buildings and improvements	330,240	353,400	10,936	11,401	341,176	364,801
Utility systems	-	-	2,045,794	2,124,065	2,045,794	2,124,065
Equipment	89,406	111,278	54,170	67,463	143,576	178,741
Office equipment	-	434	16,417	8,957	16,417	9,391
Vehicles	405,683	442,838	-	-	405,683	442,838
Access rights	-	-	1,454,476	1,515,680	1,454,476	1,515,680
Total	\$ <u>1,242,815</u>	\$ <u>1,339,097</u>	\$ <u>3,589,727</u>	\$ <u>3,735,500</u>	\$ <u>4,832,542</u>	\$ <u>5,074,597</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

Egelston Township

Management's Discussion and Analysis

Long-Term Debt

At June 30, 2011, the Township had total outstanding debt of \$1,959,615 consisting of general obligation bonds, compensated absences, and other postemployment benefits.

	Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligations						
bonds	\$ -	\$ -	\$ 1,624,261	\$ 1,656,146	\$ 1,624,261	\$ 1,656,146
Compensated absences	37,098	36,422	2,629	3,259	39,727	39,681
Other postemployment benefits	295,627	149,006	-	-	295,627	149,006
Total	\$ 332,725	\$ 185,428	\$ 1,626,890	\$ 1,659,405	\$ 1,959,615	\$ 1,844,833

The Township's total debt increased by \$111,782 during the fiscal year. The increase came as a result of the Township recording a liability for its unfunded annual required contribution for other postemployment benefits.

Additional information on the Township's long-term debt can be found in Note G of the "Notes to Financial Statements" of this report.

General Economic Overview

The Township's General Fund has two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprise over 78% of the General Fund revenue sources. In fiscal year 2012, the Township budgeted for property taxes to remain flat and for state revenue sharing to decrease by approximately 5% due to uncertainty regarding future statutory revenue sharing payments.

The Township is expecting operating expenditures to increase by the rate of inflation in the coming year. The only significant capital project budgeted for in the General Fund is Sunset Beach improvements. The Township is expecting the project to cost approximately \$100,000 with approximately \$82,100 of the project paid for with a State of Michigan grant. As part of its budget, the Township has appropriated approximately \$160,000 to transfer to the Fire Fund to support fire operations.

In the Fire Fund, operations are expected to be similar to last year. The Township has received a Homeland Security grant which will enable it to purchase approximately \$300,000 of equipment and supplies in the upcoming fiscal year.

The Township is planning on having a bond millage election in November 2011 for a new fire station. The expected cost of the new fire station would be approximately \$2.3 million if the millage passes.

Requests for Information

This financial report is designed to provide a general overview of Egelston Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Egelston Township, 5428 E. Apple Ave., Muskegon, Michigan, 49442, (231) 788-2308.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

October 14, 2011

Township Board
Egelston Township
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Egelston Township, Michigan as of and for the year ended June 30, 2011, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Egelston Township, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Egelston Township, Michigan, as of June 30, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages i through vii and 28 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Brickley De Long, P.C.

Egelston Township
STATEMENT OF NET ASSETS
June 30, 2011

	Governmental activities	Business-type activities	Total
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 2,137,812	\$ 1,240,152	\$ 3,377,964
Receivables	23,038	202,333	225,371
Due from other governmental units	260,608	-	260,608
Prepaid items	34,795	2,607	37,402
Total current assets	2,456,253	1,445,092	3,901,345
NONCURRENT ASSETS			
Capital assets, net			
Nondepreciable	234,342	7,934	242,276
Depreciable	1,008,473	3,581,793	4,590,266
Bond issue costs, net	-	12,537	12,537
Special assessments receivable	-	139,517	139,517
Total noncurrent assets	1,242,815	3,741,781	4,984,596
Total assets	3,699,068	5,186,873	8,885,941
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	99,044	24,525	123,569
Due to other governmental units	1,024	43,515	44,539
Bonds and other obligations, due within one year	37,098	36,629	73,727
Total current liabilities	137,166	104,669	241,835
NONCURRENT LIABILITIES			
Bonds and other obligations, less amounts due within one year	295,627	1,590,261	1,885,888
Total liabilities	432,793	1,694,930	2,127,723
NET ASSETS			
Invested in capital assets, net of related debt	1,242,815	1,965,467	3,208,282
Restricted for:			
Fire operations	22,456	-	22,456
Street lights	171,063	-	171,063
Festival	20,409	-	20,409
Unrestricted	1,809,532	1,526,476	3,336,008
Total net assets	\$ 3,266,275	\$ 3,491,943	\$ 6,758,218

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF ACTIVITIES
For the year ended June 30, 2011

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>for services</u>	<u>Operating grants and</u>	<u>Capital grants and</u>	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Governmental activities							
General government	\$ 839,126	\$ 46,425	\$ 2,605	\$ -	\$ (790,096)	\$ -	\$ (790,096)
Public safety	1,015,380	114,132	-	20,735	(880,513)	-	(880,513)
Public works	154,206	-	-	-	(154,206)	-	(154,206)
Community and economic development	5,633	-	-	-	(5,633)	-	(5,633)
Culture and recreation	68,933	48,686	700	-	(19,547)	-	(19,547)
Total governmental activities	2,083,278	209,243	3,305	20,735	(1,849,995)	-	(1,849,995)
Business-type activities							
Sewer	678,719	547,699	-	9,750	-	(121,270)	(121,270)
Total government	\$ 2,761,997	\$ 756,942	\$ 3,305	\$ 30,485	(1,849,995)	(121,270)	(1,971,265)
General revenues							
Property taxes, levied for							
General purposes					311,456	-	311,456
Specific purposes					671,094	-	671,094
Franchise fees					81,999	-	81,999
Grants and contributions not restricted to specific programs					668,511	-	668,511
Unrestricted investment earnings					18,347	18,356	36,703
Miscellaneous					22,944	-	22,944
Gain on sale of capital assets					4,568	10,153	14,721
Total general revenues					1,778,919	28,509	1,807,428
Change in net assets					(71,076)	(92,761)	(163,837)
Net assets at July 1, 2010					3,337,351	3,584,704	6,922,055
Net assets at June 30, 2011					\$ 3,266,275	\$ 3,491,943	\$ 6,758,218

The accompanying notes are an integral part of this statement.

Egelston Township
BALANCE SHEET
 Governmental Funds
 June 30, 2011

	General Fund	Fire Fund	Street Light Fund	Other governmental fund	Total governmental funds
ASSETS					
Cash and investments	\$ 1,911,015	\$ 23,315	\$ 182,848	\$ 20,634	\$ 2,137,812
Accounts receivable	21,708	1,280	-	50	23,038
Due from other governmental units	239,873	20,735	-	-	260,608
Due from other funds	-	4,148	-	-	4,148
Prepaid items	16,339	18,456	-	-	34,795
Total assets	\$ 2,188,935	\$ 67,934	\$ 182,848	\$ 20,684	\$ 2,460,401
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 14,552	\$ 22,836	\$ 11,785	\$ 275	\$ 49,448
Accrued liabilities	27,139	22,457	-	-	49,596
Due to other governmental units	839	185	-	-	1,024
Due to other funds	4,148	-	-	-	4,148
Total liabilities	46,678	45,478	11,785	275	104,216
Fund balances					
Nonspendable for prepaid items	16,339	18,456	-	-	34,795
Restricted for:					
Fire protection	-	4,000	-	-	4,000
Street lights	-	-	171,063	-	171,063
Festival	-	-	-	20,409	20,409
Committed for:					
Fire department and community center improvements	426,870	-	-	-	426,870
Park improvements	60,000	-	-	-	60,000
Townhall parking lot improvements	45,000	-	-	-	45,000
Cemetery expansion and improvements	30,000	-	-	-	30,000
Townhall and library capital improvements	35,125	-	-	-	35,125
Vehicle replacement	19,134	-	-	-	19,134
Other capital improvements	450,000	-	-	-	450,000
Assigned for fiscal year 2012 budget	140,455	-	-	-	140,455
Unassigned	919,334	-	-	-	919,334
Total fund balances	2,142,257	22,456	171,063	20,409	2,356,185
Total liabilities and fund balances	\$ 2,188,935	\$ 67,934	\$ 182,848	\$ 20,684	\$ 2,460,401

The accompanying notes are an integral part of this statement.

Egelston Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 June 30, 2011

Total fund balance—governmental funds		\$ 2,356,185
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Cost of capital assets	\$ 2,916,136	
Accumulated depreciation	<u>(1,673,321)</u>	1,242,815

Long-term liabilities in governmental activities are not due and payable in the current period and are not reported in the governmental funds.

Compensated absences	(37,098)	
Other postemployment benefits	<u>(295,627)</u>	<u>(332,725)</u>

Net assets of governmental activities in the Statement of Net Assets		<u><u>\$ 3,266,275</u></u>
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The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended June 30, 2011

	General Fund	Fire Fund	Street Light Fund	Other governmental fund	Total governmental funds
REVENUES					
Property taxes	\$ 311,456	\$ 575,224	\$ 95,871	\$ -	\$ 982,551
Licenses and permits	143,406	-	-	-	143,406
Intergovernmental revenues					
Federal	-	20,735	-	-	20,735
State	668,511	-	-	-	668,511
Charges for services	30,996	55,771	-	-	86,767
Investment earnings	17,021	-	1,233	93	18,347
Other	84,859	2,457	-	-	87,316
Total revenues	1,256,249	654,187	97,104	93	2,007,633
EXPENDITURES					
Current					
General government	547,033	-	-	-	547,033
Public safety	75,568	671,762	-	-	747,330
Public works	3,195	-	145,680	-	148,875
Community and economic development	3,950	-	-	-	3,950
Culture and recreation	50,545	-	-	791	51,336
Other governmental functions	330,346	-	-	-	330,346
Capital outlay	21,331	-	-	-	21,331
Total expenditures	1,031,968	671,762	145,680	791	1,850,201
Excess of revenues over (under) expenditures	224,281	(17,575)	(48,576)	(698)	157,432
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	13,470	1,601	-	-	15,071
Transfers in	-	4,148	-	-	4,148
Transfers out	(4,148)	-	-	-	(4,148)
Total other financing sources (uses)	9,322	5,749	-	-	15,071
Net change in fund balances	233,603	(11,826)	(48,576)	(698)	172,503
Fund balances at July 1, 2010	1,908,654	34,282	219,639	21,107	2,183,682
Fund balances at June 30, 2011	\$ 2,142,257	\$ 22,456	\$ 171,063	\$ 20,409	\$ 2,356,185

The accompanying notes are an integral part of this statement.

Egelston Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended June 30, 2011

Net change in fund balances—total governmental funds \$ 172,503

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

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (107,110)	
Capital outlay	<u>21,331</u>	(85,779)

Governmental funds report the entire proceeds from the sale of capital assets as revenue, but the Statement of Activities reports only the gain or loss on the sale of capital assets.	(10,503)
--	----------

Compensated absences and other postemployment benefits are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.	<u>(147,297)</u>
--	------------------

Change in net assets of governmental activities	<u><u>\$ (71,076)</u></u>
---	---------------------------

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF NET ASSETS
Proprietary Fund
June 30, 2011

ASSETS

	<u>Business-type Activities - Enterprise Fund Sewer</u>
CURRENT ASSETS	
Cash and investments	\$ 1,240,152
Receivables	
Accounts	186,833
Special assessments	15,500
Prepaid items	<u>2,607</u>
Total current assets	1,445,092
NONCURRENT ASSETS	
Capital assets	
Land	7,934
Buildings	18,613
Utility system	9,287,649
Equipment	206,321
Vehicles	34,788
Access rights	1,674,280
Less accumulated depreciation and amortization	<u>(7,639,858)</u>
Net capital assets	3,589,727
Bond issuance costs, net	12,537
Special assessments receivable	<u>139,517</u>
Total noncurrent assets	<u>3,741,781</u>
Total assets	5,186,873
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	4,237
Accrued liabilities	20,288
Due to other governmental units	43,515
Bonds and other obligations, due within one year	<u>36,629</u>
Total current liabilities	104,669
NONCURRENT LIABILITIES	
Bonds and other obligations, less amounts due within one year	<u>1,590,261</u>
Total liabilities	1,694,930
NET ASSETS	
Invested in capital assets, net of related debt	1,965,467
Unrestricted	<u>1,526,476</u>
Total net assets	<u>\$ 3,491,943</u>

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 Proprietary Fund
 For the year ended June 30, 2011

	<u>Business-type Activities - Enterprise Fund Sewer</u>
REVENUES	
Charges for services	\$ 547,699
OPERATING EXPENSES	
Administration	27,949
Operations	408,088
Depreciation and amortization	<u>166,811</u>
Total operating expenses	<u>602,848</u>
Operating loss	(55,149)
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	18,356
Connection fees	9,750
Gain on disposal of capital assets	10,153
Interest expense	<u>(75,871)</u>
Total nonoperating revenues (expenses)	<u>(37,612)</u>
Change in net assets	(92,761)
Net assets at July 1, 2010	<u>3,584,704</u>
Net assets at June 30, 2011	<u>\$ 3,491,943</u>

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF CASH FLOWS
 Proprietary Fund
 For the year ended June 30, 2011

	Business-type Activities - Enterprise fund <u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 533,753
Receipts from interfund services provided	3,982
Payments to suppliers	(258,950)
Payments to employees	<u>(172,328)</u>
Net cash provided by operating activities	106,457
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Connection fees	49,472
Purchases of capital assets	(27,069)
Principal paid on capital debt	(32,628)
Interest paid on capital debt	(75,128)
Proceeds from sales of capital assets	<u>16,667</u>
Net cash used for capital and related financing activities	(68,686)
CASH FLOW FROM INVESTING ACTIVITIES	
Investment earnings	<u>18,356</u>
Net increase in cash and investments	56,127
Cash and investments July 1, 2010	<u>1,184,025</u>
Cash and investments at June 30, 2011	<u><u>\$ 1,240,152</u></u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (55,149)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization expense	166,811
Change in assets and liabilities	
Receivables, net	(9,964)
Prepaid items	2,402
Accounts payable	(2,548)
Accrued liabilities	(4,350)
Due to other governmental units	<u>9,255</u>
Net cash provided by operating activities	<u><u>\$ 106,457</u></u>

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
June 30, 2011

	<u>Agency funds</u>
ASSETS	
Cash and investments	\$ 2,185
Receivables	1,329
Total assets	<u><u>\$ 3,514</u></u>
 LIABILITIES	
Due to other governmental units	\$ 2,403
Other liabilities	1,111
Total liabilities	<u><u>\$ 3,514</u></u>

The accompanying notes are an integral part of this statement.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Egelston Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

Egelston Township is a municipal corporation governed by an elected seven-member Board.

Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criterion, none are included in the financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. 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.

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 requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

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 service 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. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township 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 Fire Fund is used to account for a special property tax millage levied by the Township for the operations and capital expenditures of the fire department.

The Street Light Fund is used to account for a special property tax millage levied by the Township for the operation and maintenance of the Township's street lights.

The Township only has one other governmental fund, the Festival Fund.

The Township reports the following major proprietary fund:

The Sewer Fund operates the Township's sewage pumping station, collection system and pays for access to the County's sewage treatment plant.

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 Government 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 Township 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 Township's 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 concerned.

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

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 are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary 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.

In the government-wide financial statements and proprietary fund types in the fund financial statements, when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, when expenditures are incurred in governmental fund types for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the Township's policy to consider that restricted amounts have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used, it is the Township's policy that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Township'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.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

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".

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Receivables and Payables—Continued

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2010 state taxable value for real/personal property of the Township totaled approximately \$188,791,000. The ad valorem taxes levied consisted of 1.1803, 3.0 and 0.5 mills for the Township's general operations, fire department operations, and street lights, respectively. These amounts are recognized respectively in the General Fund, Fire Fund, and Street Light Fund.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant and equipment, 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 than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Capital Assets—Continued

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-40
Utility systems	20-50
Land improvements	10-20
Office equipment	5-7
Equipment	3-10
Vehicles	5-15

Compensated Absences

Township employees are granted vacation and sick leave in varying amounts based on length of service and employee group. Upon termination, employees are paid for unused vacation and sick leave under limits that vary by employee group. The liability for these compensated absences is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion of this liability is estimated based on historical trends. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund 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. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Fund Equity

In the fund financial statements, governmental fund balance is presented in five possible categories:

- a. Nondisposable—resources which cannot be spent because they are either 1) not in spendable form or; 2) legally or contractually required to be maintained intact.
- b. Restricted—resources with constraints placed on the use of resources which are either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation.
- c. Committed—resources which are subject to limitations the Township imposes upon itself by action of the Township Board, and that remain binding unless the limitations are removed in the same manner.
- d. Assigned—resources neither restricted nor committed for which the Township has a stated intended use as established by the Township Board or the Executive Officers to which the Township Board has delegated the authority to assign amounts for specific purposes.
- e. Unassigned—resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to June 30, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to June 30, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level for the General Fund and the fund level for all other governmental funds. The Township Board made several supplemental budgetary appropriations throughout the year.

Excess of Expenditures Over Appropriations

During the year ended June 30, 2011, actual expenditures exceeded appropriations for capital outlay by \$14,341 in the General Fund. The overexpenditure was funded with available fund balance.

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2011, the Township had the following investments:

Investment Type	<u>Fair value</u>	<u>Weighted average maturity (Days)</u>	<u>Moody's</u>	<u>Percent</u>
External investment pool	\$ 273,832	28	AAA	57.6 %

The Township voluntarily invests certain excess funds in an external investment pool (Pool). The Pool is an external investment pool of “qualified” investments for Michigan municipalities. The Pool is not regulated nor registered with the SEC. The fair value of the Township’s investments is the same as the fair value of the Pool.

Interest rate risk. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township 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 Township's deposits may not be returned to it. As of June 30, 2011, \$1,599,515 of the Township's bank balance of \$3,150,977 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 229,710	\$ -	\$ -	\$ 229,710
Construction in progress	-	4,632	-	4,632
Total capital assets, not being depreciated	229,710	4,632	-	234,342
Capital assets, being depreciated:				
Land improvements	340,109	-	-	340,109
Buildings and improvements	877,910	-	-	877,910
Equipment	309,649	-	41,743	267,906
Office equipment	47,747	-	-	47,747
Vehicles	1,153,406	16,699	21,983	1,148,122
Total capital assets, being depreciated	2,728,821	16,699	63,726	2,681,794
Less accumulated depreciation:				
Land improvements	138,672	18,293	-	156,965
Buildings and improvements	524,510	23,160	-	547,670
Equipment	198,371	21,872	41,743	178,500
Office equipment	47,313	434	-	47,747
Vehicles	710,568	43,351	11,480	742,439
Total accumulated depreciation	1,619,434	107,110	53,223	1,673,321
Total capital assets, being depreciated, net	1,109,387	(90,411)	10,503	1,008,473
Capital assets, net	\$ 1,339,097	\$ (85,779)	\$ 10,503	\$ 1,242,815

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE D—CAPITAL ASSETS—Continued

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 7,934	\$ -	\$ -	\$ 7,934
 Capital assets, being depreciated:				
Buildings and improvements	18,613	-	-	18,613
Utility systems	9,277,247	10,402	-	9,287,649
Equipment	212,965	-	6,644	206,321
Vehicles	31,556	16,667	13,435	34,788
Access rights	1,674,280	-	-	1,674,280
Total capital assets, being depreciated	11,214,661	27,069	20,079	11,221,651
 Less accumulated depreciation:				
Buildings and improvements	7,212	465	-	7,677
Utility systems	7,153,182	88,673	-	7,241,855
Equipment	145,502	13,293	6,644	152,151
Vehicles	22,599	2,693	6,921	18,371
Access rights	158,600	61,204	-	219,804
Total accumulated depreciation	7,487,095	166,328	13,565	7,639,858
Total capital assets, being depreciated, net	3,727,566	(139,259)	6,514	3,581,793
Capital assets, net	\$ 3,735,500	\$ (139,259)	\$ 6,514	\$ 3,589,727

Depreciation expense has been charged to functions as follows:

Governmental activities:	
General government	\$ 33,836
Public safety	36,352
Public works	21,796
Culture and recreation	15,126
	\$ 107,110
 Business-type activities:	
Sewer	\$ 166,328

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE E—BOND ISSUANCE COSTS

Bond issuance cost activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Business-type activities:				
Bond issuance costs	\$ 14,952	\$ -	\$ -	\$ 14,952
Less accumulated amortization	1,932	483	-	2,415
Bond issuance costs, net	\$ 13,020	\$ (483)	\$ -	\$ 12,537

Amortization

Amortization expense has been charged to sewer.

NOTE F—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2011 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Fire Fund	General Fund	\$ 4,148

The outstanding balance between funds was due to a year-end operating transfer.

Interfund transfers:

The composition of interfund transfers as of June 30, 2011 consisted of the General Fund transferring \$4,148 to the Fire Fund for operating purposes.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE G—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended June 30, 2011.

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>	<u>Due within one year</u>
Governmental activities:					
Compensated absences	\$ 36,422	\$ 60,667	\$ 59,991	\$ 37,098	\$ 37,098
Other postemployment benefits	149,006	185,082	38,461	295,627	-
Governmental activity long-term liabilities	<u>\$ 185,428</u>	<u>\$ 245,749</u>	<u>\$ 98,452</u>	<u>\$ 332,725</u>	<u>\$ 37,098</u>
Business-type activities:					
General obligations bond	\$ 1,656,146	\$ -	\$ 31,885	\$ 1,624,261	\$ 34,000
Compensated absences	3,259	11,103	11,733	2,629	2,629
Business-type activity long-term liabilities	<u>\$ 1,659,405</u>	<u>\$ 11,103</u>	<u>\$ 43,618</u>	<u>\$ 1,626,890</u>	<u>\$ 36,629</u>

Business-type activities:

General obligation bonds:

\$1,700,000 Muskegon County Wastewater Management - Number One Bond of 2006 due in annual installments of approximately \$34,000 to \$108,000 through November 2036; interest at rates varying from 4.25% to 5%

\$ 1,635,982

Less bond discount

(11,721)

1,624,261

Compensated absences

2,629

\$ 1,626,890

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

In 2005, the County of Muskegon began making improvements to the regional sewer treatment facilities. The project was funded with \$17,500,000 bonds issued through the State of Michigan Clean Water Revolving Fund Loan Program. The County operates the system and makes payments on the bonds with user charges to the local units. The Township has pledged its limited tax full faith and credit for the payment of its portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt on June 30, 2011 was approximately \$517,000. The Township is unaware of any circumstances that would cause a shortfall in the near future.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE G—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

The Township was in compliance in all material respects with all bond ordinances at June 30, 2011.

Annual debt service requirements to maturity for debt outstanding as of June 30, 2011 follow:

Year ending June 30,	Business-type activities	
	Principal	Interest
2012	\$ 34,000	\$ 73,715
2013	36,000	72,241
2014	37,000	70,696
2015	38,000	69,090
2016	40,000	67,422
2017-2021	230,000	309,298
2022-2026	288,000	253,556
2027-2031	363,000	180,821
2032-2036	462,000	85,571
2037	107,982	2,695
	\$ 1,635,982	\$ 1,185,105

NOTE H—OTHER INFORMATION

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township manages its liability, property and insurance coverage as a member of the Michigan Township Participating Plan (MTPP), a public entity risk pool providing liability and property coverage to its participating members. The Township pays an annual premium to MTPP for its insurance coverage. The MTPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally insuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Township pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally insuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE H—OTHER INFORMATION—Continued

Risk Management—Continued

The Township carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

NOTE I—PENSION PLANS

Defined Contribution Plan

The Township maintains a defined contribution retirement plan with John Hancock Funds, Inc. that covers all employees except volunteer firemen and seasonal employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township contributes 14 percent of the employees' gross earnings. Participants are not required to contribute to the plan. The Township contributed \$96,812 during the year ended June 30, 2011.

NOTE J—OTHER POST-EMPLOYMENT BENEFITS

Plan Description. The Township has a defined benefit healthcare plan (Retiree Healthcare Plan) administered by the Burnham and Flower Group. The Retiree Healthcare Plan is established under the authority of section 115 of the IRS code and is exempt from taxation. The Retiree Healthcare Plan provides health insurance to eligible retirees through the Township's group health insurance plan which covers both active and retired members. Act No. 149 of the Public Acts of 1999 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the Retiree Healthcare Plan to the respective employer entities; that authority rests with the Township. A copy of the complete financial report and required supplemental information can be obtained by writing to:

Egelston Township
5428 E. Apple Ave.
Muskegon, MI 49442

Funding Policy. Plan members are not required to contribute to the Plan. The contribution requirements of plan members and the Township are established and may be amended by the Township Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Township. For the year ended June 30, 2011, the Township contributed \$38,461 to the Retiree Healthcare Plan, of which \$23,461 were direct payments to retirees and \$15,000 were contributed to the trust, which is 20.8% of the annual required contribution.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE J—OTHER POST-EMPLOYMENT BENEFITS—Continued

Annual OPEB Cost and Net OPEB Obligation. The Township’s other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC). The Township has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Township’s annual OPEB cost for the year, the amount actually contributed to the Retiree Healthcare Plan, and changes in the Township’s net OPEB obligation:

Annual required contribution	\$	181,077
Interest on net OPEB obligation		10,430
Adjustment to annual required contribution		<u>(6,425)</u>
Net OPEB cost		185,082
Payments made to or on behalf of retirees		(23,461)
Contributions made to OPEB trust		<u>(15,000)</u>
Increase in net OPEB obligation		146,621
Net OPEB obligation at beginning of year		<u>149,006</u>
Net OPEB obligation at end of year	\$	<u><u>295,627</u></u>

Trend Information

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/10	\$ 181,077	17.7 %	\$ 149,006
6/30/11	185,082	20.8	295,627

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE J—OTHER POST-EMPLOYMENT BENEFITS—Continued

Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

- a. Retirement age for active employees—Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 55, or the first subsequent year in which the member would qualify for benefits.
- b. Marital status—Marital status of members at the calculation date was assumed to continue throughout retirement.
- c. Mortality—Life expectancies were based on mortality tables from the National vital Statistics Reports, Volume 53, Number 6. The 2004 United States Life Tables for Males and Females were used.
- d. Turnover—Non-specific age-based turnover data from GASB Statement 45 were used as a basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.
- e. Healthcare inflation rate—The expected rate of increase in healthcare insurance premiums was based on projections of the National Institutes of Health National Health Expenditure Projections. A rate of 6.9 percent initially, reduced to an ultimate rate of 6.8 percent after six years, was used.
- f. Health insurance premiums—Fiscal 2009 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.
- g. Payroll growth rate—The expected long-term payroll growth rate was 2.5 percent.

A discount rate of 4.4 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The Retiree Healthcare Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was 30 years.

Funded Status and Progress. As of June 30, 2009, the most recent valuation date, the Retiree Healthcare Plan was not funded. The actuarial accrued liability for benefits was approximately \$1,392,000, and the actuarial value of assets was none, resulting in an unfunded actuarial liability (UAAL) of approximately \$1,392,000. The covered payroll (annual payroll of active employees covered by the Retiree Healthcare Plan) was approximately \$817,000, and the ratio of the UAAL to the covered payroll was 170 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the Retiree Healthcare Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE K—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 53 percent of General Fund revenues.

REQUIRED SUPPLEMENTARY INFORMATION

Egelston Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2011

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 304,460	\$ 316,050	\$ 311,456	\$ (4,594)
Licenses and permits	76,700	135,008	143,406	8,398
Intergovernmental revenue - State	617,326	619,826	668,511	48,685
Charges for services	23,462	28,784	30,996	2,212
Investment earnings	16,950	16,950	17,021	71
Other	70,812	91,109	84,859	(6,250)
Total revenues	1,109,710	1,207,727	1,256,249	48,522
EXPENDITURES				
Current				
General government				
Township board	19,609	19,150	18,479	671
Supervisor	46,400	44,550	43,213	1,337
Elections	17,000	17,000	15,166	1,834
Board of review	3,200	3,200	2,624	576
Clerk	91,032	89,182	86,351	2,831
Treasurer	81,681	79,831	77,699	2,132
Assessor	59,798	59,798	58,572	1,226
Township hall	53,138	53,211	43,694	9,517
Board of appeals	1,150	1,570	1,295	275
Cemetery	30,176	30,997	27,534	3,463
Professional services	16,000	19,851	17,989	1,862
Office clerk	30,249	30,249	29,682	567
Maintenance	127,429	128,916	124,735	4,181
Public safety				
Inspection department	76,935	79,585	75,568	4,017
Public works				
Landfill	3,445	5,945	3,195	2,750
Community and economic development				
Planning	4,200	4,760	3,950	810
Culture and recreation				
Recreation programs and park maintenance	39,868	41,234	34,340	6,894
Library	14,980	19,351	16,205	3,146
Other governmental functions				
Payroll benefits	311,314	311,314	282,611	28,703
Insurance	46,300	46,300	30,293	16,007
Other	15,304	20,714	17,442	3,272
Capital outlay	-	6,990	21,331	(14,341)
Total expenditures	1,089,208	1,113,698	1,031,968	81,730
Excess of revenues over (under) expenditures	20,502	94,029	224,281	130,252
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	2,000	2,637	13,470	10,833
Transfers out	(235,387)	(254,990)	(4,148)	250,842
Total other financing sources (uses)	(233,387)	(252,353)	9,322	261,675
Net change in fund balance	<u>\$ (212,885)</u>	<u>\$ (158,324)</u>	233,603	<u>\$ 391,927</u>
Fund balance at July 1, 2010			1,908,654	
Fund balance at June 30, 2011			<u>\$ 2,142,257</u>	

Egelston Township
 Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
 Fire Fund
 For the year ended June 30, 2011

	<u>Budgeted amounts</u>		<u>Actual</u>	Variance with final budget- positive (negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 573,485	\$ 574,438	\$ 575,224	\$ 786
Intergovernmental revenue - Federal	-	20,735	20,735	-
Charges for services	18,250	54,613	55,771	1,158
Other	100	1,300	2,457	1,157
Total revenues	591,835	651,086	654,187	3,101
EXPENDITURES				
Current				
Public safety	677,222	744,356	671,762	72,594
Capital outlay	150,000	150,000	-	150,000
Total expenditures	827,222	894,356	671,762	222,594
Excess of revenues over (under) expenditures	(235,387)	(243,270)	(17,575)	225,695
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	1,601	1,601	-
Transfers in	235,387	254,990	4,148	(250,842)
Total other financing sources	235,387	256,591	5,749	(250,842)
Net change in fund balance	<u>\$ -</u>	<u>\$ 13,321</u>	(11,826)	<u>\$ (25,147)</u>
Fund balance at July 1, 2010			<u>34,282</u>	
Fund balance at June 30, 2011			<u>\$ 22,456</u>	

Egelston Township
 Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
 Street Light Fund
 For the year ended June 30, 2011

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 95,664	\$ 95,664	\$ 95,871	\$ 207
Investment earnings	2,088	2,088	1,233	(855)
Total revenues	97,752	97,752	97,104	(648)
EXPENDITURES				
Current				
Public works	145,500	147,300	145,680	1,620
Net change in fund balance	\$ (47,748)	\$ (49,548)	(48,576)	\$ 972
Fund balance at July 1, 2010			219,639	
Fund balance at June 30, 2011			\$ 171,063	

Egelston Township
 Required Supplementary Information
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS PLAN
 For the year ended June 30, 2011

(Dollar amounts in thousands)

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
6/30/09	\$ -	\$ 1,392	\$ 1,392	- %	\$ 817	170 %

Additional actuarial data is not available and will be provided in subsequent years.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

October 14, 2011

Township Board
Egelston Township
Muskegon, Michigan

In planning and performing our audit of the financial statements of Egelston Township as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Egelston Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the attached deficiency in Egelston Township's internal control to be a significant deficiency.

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

Brickley De Long, P.C.

SIGNIFICANT DEFICIENCY

Recommendation 1: The internal controls surrounding the preparation of formal year end financial statements should be improved.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year end financial statements.

The Township should review its procedures surrounding the preparation of year end financial statements to include the appointment of an individual with the requisite technical skills and experience to review the formal year end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

October 14, 2011

To the Township Board
Egelston Township

We have audited the financial statements of Egelston Township for the year ended June 30, 2011, and have issued our report thereon dated October 14, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you during our conferences on June 27, 2011 and September 8, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting principles. The significant accounting policies used by Egelston Township are described in Note A to the financial statements. As described in Note A to the financial statements, Egelston Township changed accounting policies related to the presentation of the Fund Balance by adopting Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended June 30, 2011. The accounting change affected the presentation of fund balance in the governmental funds, but did not change total beginning or ending equity. We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the compensated absences liability is based on unused compensated absences at year end and past experience. We evaluated the key factors and assumptions used to develop the compensated absences liability estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of depreciation is based on the estimated useful lives of capital assets. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Township Board
Egelston Township
October 14, 2011
Page 2

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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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 October 14, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations by the management of Egelston Township with other accountants.

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 entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

BRICKLEY DELONG

Township Board
Egelston Township
October 14, 2011
Page 3

This information is intended solely for the use of the Township Board and management of Egelston Township and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Brickley De Long, P.C.