

Egelston Township
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

June 30, 2018



Egelston Township

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INDEPENDENT AUDITOR'S REPORT

Township Board
Egelston Township
Muskegon, Michigan

Report on the Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Egelston Township, Michigan, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As described in Note L to the financial statements, Egelston Township, Michigan implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison schedules, and OPEB information on pages 4 through 11 and 43 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Township Board
Egelston Township
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018, on our consideration of Egelston Township, Michigan’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Egelston Township, Michigan’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Egelston Township, Michigan’s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brickley DeLong, P.C." The signature is written in a cursive style with a large, looped initial 'B'.

Muskegon, Michigan
November 21, 2018

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, 2018. 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 Position presents information on all of the Township's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net position changed during the fiscal year. All changes in net position 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 culture and recreation 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 than that of the government-wide financial statements, 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.

The 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 one enterprise 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 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 position for the Township. As stated earlier, the net position may be used as an indicator of a government's financial health. As of June 30, 2018, the Township's net position from governmental activities totaled \$3,940,709 (54%) and \$3,394,538 (46%) from business-type activities, creating a total government-wide net position total of \$7,335,247.

Egelston Township

Management's Discussion and Analysis

In examining the composition of net position, the reader should note that governmental activities include net position that is 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. Certain other governmental net position is shown as restricted, meaning that it is subject to external restrictions on how it may be used. The unrestricted net position for governmental activities actually depicts a balance of \$2,174,052. This represents the amount of discretionary resources that can be used for general governmental operations.

The business-type activities show a total of \$3,394,538 in net position, of which \$2,083,136 is unrestricted net position.

Current assets and other assets for governmental activities increased due to higher payables at year-end. Correspondingly, current liabilities increase due to higher payables and deposits for subsequent year permits.

Current assets and other assets for business-type activities increased due to significant hookups to the Township Sewer Fund. Capital assets for the business-type activities decreased because depreciation exceeded current year capital asset additions.

Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017, as restated	2018	2017, as restated	2018	2017, as restated
Current assets and other assets	\$ 3,652,415	\$ 3,535,665	\$ 2,377,850	\$ 2,058,214	\$ 6,030,265	\$ 5,593,879
Capital assets	3,568,082	3,535,344	2,693,850	2,742,920	6,261,932	6,278,264
Total assets	7,220,497	7,071,009	5,071,700	4,801,134	12,292,197	11,872,143
Current liabilities	349,238	172,831	213,346	197,433	562,584	370,264
Noncurrent liabilities	2,926,187	2,990,934	1,463,221	1,519,116	4,389,408	4,510,050
Total liabilities	3,275,425	3,163,765	1,676,567	1,716,549	4,951,992	4,880,314
Deferred inflows of resources	4,363	-	595	-	4,958	-
Total liabilities and deferred inflows of resources	3,279,788	3,163,765	1,677,162	1,716,549	4,956,950	4,880,314
Net position						
Net investment in capital assets	1,460,706	1,392,968	1,306,058	1,304,607	2,766,764	2,697,575
Restricted	305,951	279,805	5,344	5,897	311,295	285,702
Unrestricted	2,174,052	2,234,471	2,083,136	1,774,081	4,257,188	4,008,552
Total net position	\$ 3,940,709	\$ 3,907,244	\$ 3,394,538	\$ 3,084,585	\$ 7,335,247	\$ 6,991,829

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 position.

Change in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues						
Charges for services	\$ 305,575	\$ 308,746	\$ 909,798	\$ 881,091	\$ 1,215,373	\$ 1,189,837
Operating grants and contributions	2,867	24,261	-	116,565	2,867	140,826
Capital grants and contributions	200	-	315,948	59,251	316,148	59,251
General revenues						
Property taxes	1,050,757	1,027,283	-	-	1,050,757	1,027,283
Franchise fees	108,051	106,325	-	-	108,051	106,325
Grants and contributions not restricted	939,387	906,611	-	-	939,387	906,611
Unrestricted investment earnings	30,755	8,031	20,449	8,154	51,204	16,185
Miscellaneous	66,198	28,703	-	-	66,198	28,703
Gain on sale of capital assets	3,250	108,039	-	1,733	3,250	109,772
Total revenues	2,507,040	2,517,999	1,246,195	1,066,794	3,753,235	3,584,793
Expenses:						
General government	768,623	757,963	-	-	768,623	757,963
Public safety	1,180,435	1,098,427	-	-	1,180,435	1,098,427
Public works	359,266	284,794	-	-	359,266	284,794
Community and economic development	8,929	8,487	-	-	8,929	8,487
Culture and recreation	84,317	80,148	-	-	84,317	80,148
Interest on long term debt	72,005	73,318	-	-	72,005	73,318
Sewer	-	-	936,242	1,114,106	936,242	1,114,106
Total expenses	2,473,575	2,303,137	936,242	1,114,106	3,409,817	3,417,243
Change in net position	33,465	214,862	309,953	(47,312)	343,418	167,550
Net position - Beginning, as restated	3,907,244	3,708,575	3,084,585	3,145,115	6,991,829	6,853,690
Net position - Ending	\$ 3,940,709	\$ 3,923,437	\$ 3,394,538	\$ 3,097,803	\$ 7,335,247	\$ 7,021,240

See Note L of the Notes to the Financial Statements of this report for additional information on the implementation of new other postemployment benefit standards and the corresponding restatement of beginning net position for the governmental and business-type activities.

Governmental Activities

Operating grants and contributions decreased by approximately \$21,000 due to a grant for voting machines in the prior year. Grants and contributions not restricted increased by approximately \$33,000 due to additional state revenue sharing. Investment earnings increased by approximately \$23,000 due to a change in investment mix and higher interest rates. Miscellaneous revenues increased by \$37,000 due to timber sales. Gain on sale of capital assets decreased due to one-time sales of Township land in the prior year. Public safety expenses increased by approximately \$82,000 as the Township is now contracting with Muskegon County for a PINS officer.

Business-type Activities

Charges for services revenues increased by approximately \$29,000 due to a small rate increase and additional flow from more users. Operating grants and contributions decreased as the Stormwater, Asset Management, and Wastewater grant ended in the prior year. Capital grants and contributions increased by approximately \$257,000 due to a significant number of hookups at a trailer park. Expenses decreased by approximately \$178,000 due to the end of the aforementioned Stormwater, Asset Management, and Wastewater grant.

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, unassigned 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, 2018, the governmental funds reported a combined unassigned fund balance of \$1,488,756, all of which is in the General Fund. The Township also has fund balance that is nonspendable as it has been spent on prepaid items for the following year or is restricted for debt service, fire protection, street lights, the Township festival, or employee health insurance. The Township has also committed \$1,071,737 for various capital improvements and other anticipated projects and assigned fund balance for the subsequent year's budget appropriations in the amount of \$486,996.

The General Fund is the chief operating fund of the Township. At June 30, 2018, the General Fund fund balance was \$3,093,226, a decrease of \$72,804. 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 108 percent 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 position of the Sewer Fund increased by \$309,953.

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 licenses and permits revenue budget was increased by \$42,807 as building permits for new homes and commercial projects were higher than expected.
- The intergovernmental revenues – State budget was increased by \$66,377 due to personal property tax replacement monies and additional revenue sharing received from the State of Michigan.
- The other revenues budget was increased by \$60,248 due in part to timber sales.
- The transfers out budget was decreased by \$53,469 as the Township budgeted conservatively for the operating subsidy to the Fire Fund.

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

- Transfers out were under the final budget by \$63,073 as the General Fund transferred only as much as was needed to the Fire Fund to prevent a fund deficit.

Capital Assets Administration

The Township's investment in capital assets for its governmental and business-type activities as of June 30, 2018 totaled \$6,261,932 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, office equipment, equipment, utility systems and vehicles.

Capital asset additions during the current year included a deposit for a new rescue fire truck and construction in process for a new SCADA system for the sewer system's lift stations.

Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 233,707	\$ 233,707	\$ 7,934	\$ 7,934	\$ 241,641	\$ 241,641
Construction in progress	220,000	-	92,227	-	312,227	-
Land improvements	240,230	265,845	-	-	240,230	265,845
Buildings and improvements	2,230,967	2,296,654	7,678	8,144	2,238,645	2,304,798
Utility systems	-	-	1,532,173	1,606,699	1,532,173	1,606,699
Equipment	116,313	138,871	27,788	32,889	144,101	171,760
Office equipment	9,489	13,750	-	-	9,489	13,750
Vehicles	517,376	586,517	-	-	517,376	586,517
Access rights	-	-	1,026,050	1,087,254	1,026,050	1,087,254
Total	\$ 3,568,082	\$ 3,535,344	\$ 2,693,850	\$ 2,742,920	\$ 6,261,932	\$ 6,278,264

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

Egelston Township

Management's Discussion and Analysis

Long-Term Debt

At June 30, 2018, the Township had total outstanding debt of \$3,532,169 consisting of general obligation bonds and compensated absences.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligations						
bonds	\$ 2,107,376	\$ 2,142,376	\$ 1,387,792	\$ 1,438,313	\$ 3,495,168	\$ 3,580,689
Compensated absences	33,016	24,117	3,985	3,292	37,001	27,409
Total	<u>\$ 2,140,392</u>	<u>\$ 2,166,493</u>	<u>\$ 1,391,777</u>	<u>\$ 1,441,605</u>	<u>\$ 3,532,169</u>	<u>\$ 3,608,098</u>

The Township's total debt decreased by \$75,902 during the fiscal year. The decrease came as a result of scheduled debt service.

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

In addition, as of June 30, 2018, the Township had \$970,240 of long-term other post-employment benefits (OPEB) liabilities. Additional information on the Township's OPEB liabilities can be found in Note J of the Notes to Financial Statements.

General Economic Overview

The Township's General Fund has two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprise approximately 71 percent of the General Fund revenue sources. For fiscal year 2019, the Township budgeted small increases in both revenue streams. Some increases are budgeted for miscellaneous permits but no other significant changes are expected from operating revenues.

The Township is expecting operating expenditures to increase by the rate of inflation in the coming year in the General Fund with a couple of exceptions. Road improvements of \$220,000 have been budgeted as the Township continues to work to improve the quality of its roads and \$100,000 has also been budgeted for the Township's retiree healthcare plan. The Township has not currently budgeted any significant capital projects in the General Fund. As part of its budget, the Township has appropriated approximately \$522,684 to transfer to the Fire Fund to support fire operations and capital purchases.

In the Fire Fund, operations are expected to be similar to last year. The only significant capital purchase budgeted is the second payment of \$340,000 for a new fire truck in the Fire Fund.

The Township continues to monitor treatment costs from Muskegon County and adjust rates as necessary. At this point, the Township does not anticipate any significant increase in rates to customers in the upcoming fiscal year. The Township completed a Stormwater, Asset Management, and Wastewater Grant from the State of Michigan in the previous year. Based on the results of this program, various improvements are planned for the sewer system over the next several years and the Township has budgeted \$262,000 for these improvements in the upcoming fiscal year.

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.

Egelston Township
STATEMENT OF NET POSITION
June 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and investments	\$ 3,301,004	\$ 2,027,363	\$ 5,328,367
Receivables	27,959	321,832	349,791
Due from other governmental units	281,682	-	281,682
Prepaid items	41,770	9,713	51,483
Total current assets	<u>3,652,415</u>	<u>2,358,908</u>	<u>6,011,323</u>
Noncurrent assets			
Special assessments receivable, less amounts due within one year	-	18,942	18,942
Capital assets, net			
Nondepreciable	453,707	100,161	553,868
Depreciable	3,114,375	2,593,689	5,708,064
Total noncurrent assets	<u>3,568,082</u>	<u>2,712,792</u>	<u>6,280,874</u>
Total assets	<u>7,220,497</u>	<u>5,071,700</u>	<u>12,292,197</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	132,878	60,382	193,260
Due to other governmental units	61,804	107,979	169,783
Unearned revenues - fees for subsequent year	86,540	-	86,540
Bonds and other obligations, due within one year	68,016	44,985	113,001
Total current liabilities	<u>349,238</u>	<u>213,346</u>	<u>562,584</u>
Noncurrent liabilities			
Bonds and other obligations, less amounts due within one year	2,072,376	1,346,792	3,419,168
Net other postemployment benefits liability	853,811	116,429	970,240
Total noncurrent liabilities	<u>2,926,187</u>	<u>1,463,221</u>	<u>4,389,408</u>
Total liabilities	<u>3,275,425</u>	<u>1,676,567</u>	<u>4,951,992</u>
DEFERRED INFLOWS OF RESOURCES			
Related to other postemployment benefits	4,363	595	4,958
Total liabilities and deferred inflows of resources	<u>3,279,788</u>	<u>1,677,162</u>	<u>4,956,950</u>
NET POSITION			
Net investment in capital assets	1,460,706	1,306,058	2,766,764
Restricted			
Debt service	76,467	-	76,467
Fire operations	27,531	-	27,531
Street lights	128,341	-	128,341
Festival	35,295	-	35,295
Employee health insurance	38,317	5,344	43,661
Unrestricted	2,174,052	2,083,136	4,257,188
Total net position	<u>\$ 3,940,709</u>	<u>\$ 3,394,538</u>	<u>\$ 7,335,247</u>

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF ACTIVITIES
For the year ended June 30, 2018

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 768,623	\$ 50,588	\$ 2,867	\$ 200	\$ (714,968)	\$ -	\$ (714,968)
Public safety	1,180,435	183,284	-	-	(997,151)	-	(997,151)
Public works	359,266	-	-	-	(359,266)	-	(359,266)
Community and economic development	8,929	-	-	-	(8,929)	-	(8,929)
Culture and recreation	84,317	71,703	-	-	(12,614)	-	(12,614)
Interest on long-term debt	72,005	-	-	-	(72,005)	-	(72,005)
Total governmental activities	2,473,575	305,575	2,867	200	(2,164,933)	-	(2,164,933)
Business-type activities							
Sewer	936,242	909,798	-	315,948	-	289,504	289,504
Total government	\$ 3,409,817	\$ 1,215,373	\$ 2,867	\$ 316,148	(2,164,933)	289,504	(1,875,429)
General revenues							
Property taxes, levied for							
General purposes					290,056	-	290,056
Specific purposes					760,701	-	760,701
Franchise fees					108,051	-	108,051
Grants and contributions not restricted to specific programs					939,387	-	939,387
Unrestricted investment earnings					30,755	20,449	51,204
Miscellaneous					66,198	-	66,198
Gain on sale of capital assets					3,250	-	3,250
Total general revenues					2,198,398	20,449	2,218,847
Change in net position					33,465	309,953	343,418
Net position at July 1, 2017, as restated					3,907,244	3,084,585	6,991,829
Net position at June 30, 2018					\$ 3,940,709	\$ 3,394,538	\$ 7,335,247

The accompanying notes are an integral part of this statement.

Egelston Township
BALANCE SHEET
 Governmental Funds
 June 30, 2018

	General Fund	Fire Fund	Street Light Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 3,020,588	\$ 10,333	\$ 140,636	\$ 129,446	\$ 3,301,003
Accounts receivable	27,931	19	5	4	27,959
Due from other governmental units	281,682	-	-	-	281,682
Due from other funds	-	60,405	-	-	60,405
Prepaid items	17,753	23,531	-	487	41,771
Total assets	\$ 3,347,954	\$ 94,288	\$ 140,641	\$ 129,937	\$ 3,712,820
LIABILITIES					
Accounts payable	\$ 21,487	\$ 15,911	\$ 12,300	\$ -	\$ 49,698
Accrued liabilities	34,372	36,608	-	-	70,980
Due to other governmental units	57,899	3,905	-	-	61,804
Due to other funds	60,405	-	-	-	60,405
Unearned revenues - fees for subsequent year	80,565	-	-	5,975	86,540
Total liabilities	254,728	56,424	12,300	5,975	329,427
FUND BALANCES					
Nonspendable - prepaid items	17,753	23,531	-	487	41,771
Restricted					
Debt service	-	-	-	88,667	88,667
Fire protection	-	4,000	-	-	4,000
Street lights	-	-	128,341	-	128,341
Festival	-	-	-	34,808	34,808
Employee health insurance	27,984	10,333	-	-	38,317
Committed					
Community center improvements	406,286	-	-	-	406,286
Park improvements	44,061	-	-	-	44,061
Cemetery expansion and improvements	8,000	-	-	-	8,000
Townhall and library capital improvements	115,000	-	-	-	115,000
Fire vehicle	70,000	-	-	-	70,000
Other capital improvements	428,390	-	-	-	428,390
Assigned - subsequent year's budget appropriations	486,996	-	-	-	486,996
Unassigned	1,488,756	-	-	-	1,488,756
Total fund balances	3,093,226	37,864	128,341	123,962	3,383,393
Total liabilities and fund balances	\$ 3,347,954	\$ 94,288	\$ 140,641	\$ 129,937	\$ 3,712,820

The accompanying notes are an integral part of this statement.

Egelston Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION**
 June 30, 2018

Total fund balance—governmental funds \$ 3,383,393

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

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

Cost of capital assets	\$ 5,660,446	
Accumulated depreciation	<u>(2,092,364)</u>	3,568,082

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

Accrued interest	(12,200)	
Bonds payable	(2,107,376)	
Compensated absences	(33,016)	
Other postemployment benefits and related deferred outflows/inflows of resources	<u>(858,174)</u>	<u>(3,010,766)</u>

Net position of governmental activities		<u>\$ 3,940,709</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, 2018

	General Fund	Fire Fund	Street Light Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 290,056	\$ 513,588	\$ 136,943	\$ 110,170	\$ 1,050,757
Licenses and permits	238,462	-	-	-	238,462
Intergovernmental revenues - State	871,401	46,041	12,280	9,864	939,586
Charges for services	68,693	50,852	-	-	119,545
Investment earnings	30,146	7	304	298	30,755
Other	102,929	8,554	-	13,202	124,685
Total revenues	1,601,687	619,042	149,527	133,534	2,503,790
EXPENDITURES					
Current					
General government	595,460	-	-	-	595,460
Public safety	189,212	704,087	-	-	893,299
Public works	208,752	-	138,513	-	347,265
Community and economic development	7,686	-	-	-	7,686
Culture and recreation	52,509	-	-	10,068	62,577
Other governmental functions	319,506	-	-	-	319,506
Debt service					
Principal	-	-	-	35,000	35,000
Interest and fees	-	-	-	72,305	72,305
Capital outlay	-	220,000	-	-	220,000
Total expenditures	1,373,125	924,087	138,513	117,373	2,553,098
Excess of revenues over (under) expenditures	228,562	(305,045)	11,014	16,161	(49,308)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	250	3,000	-	-	3,250
Transfers in	-	301,616	-	-	301,616
Transfers out	(301,616)	-	-	-	(301,616)
Total other financing sources (uses)	(301,366)	304,616	-	-	3,250
Net change in fund balances	(72,804)	(429)	11,014	16,161	(46,058)
Fund balances at July 1, 2017	3,166,030	38,293	117,327	107,801	3,429,451
Fund balances at June 30, 2018	\$ 3,093,226	\$ 37,864	\$ 128,341	\$ 123,962	\$ 3,383,393

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, 2018

Net change in fund balances—total governmental funds \$ (46,058)

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

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	\$ (187,262)	
Capital outlay	220,000	32,738

The issuance of long-term debt provides current financial resources to governmental funds but increases liabilities in the Statement of Net Position. Repayment of debt is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position.

Repayment of principal on long-term debt		35,000
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Changes in accrual of interest and amortization of premiums and discounts		
Change in accrued interest payable		300

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in compensated absences	(8,899)	
Change in other postemployment benefits and related deferred outflows/inflows of resources	20,384	11,485

Change in net position of governmental activities		\$ 33,465
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The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF NET POSITION
Proprietary Fund
June 30, 2018

	Business-type Activities - Enterprise Fund
	Sewer
ASSETS	
Current assets	
Cash and investments	\$ 2,027,363
Receivables	
Accounts	303,832
Special assessments	18,000
Prepaid items	9,713
Total current assets	2,358,908
Noncurrent assets	
Special assessments receivable, less amounts due within one year	18,942
Capital assets	
Land	7,934
Construction in progress	92,227
Buildings	18,613
Utility system	9,316,132
Equipment	229,240
Vehicles	16,667
Access rights	1,674,280
Less accumulated depreciation and amortization	(8,661,243)
Net capital assets	2,693,850
Total noncurrent assets	2,712,792
Total assets	5,071,700
LIABILITIES	
Current liabilities	
Accounts payable	39,388
Accrued liabilities	20,994
Due to other governmental units	107,979
Bonds and other obligations, due within one year	44,985
Total current liabilities	213,346
Noncurrent liabilities	
Bonds and other obligations, less amounts due within one year	1,346,792
Net other postemployment benefits liability	116,429
Total noncurrent liabilities	1,463,221
Total liabilities	1,676,567
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	595
Total liabilities and deferred inflows of resources	1,677,162
NET POSITION	
Net investment in capital assets	1,306,058
Restricted for employee health insurance	5,344
Unrestricted	2,083,136
Total net position	\$ 3,394,538

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 Proprietary Fund
 For the year ended June 30, 2018

	Business-type Activities - Enterprise Fund Sewer
OPERATING REVENUES	
Charges for services	\$ 909,798
OPERATING EXPENSES	
Administration	35,341
Operations	709,986
Depreciation and amortization	141,297
Total operating expenses	886,624
Operating income	23,174
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	20,449
Connection fees	315,948
Interest expense	(49,618)
Total nonoperating revenues (expenses)	286,779
Change in net position	309,953
Net position at July 1, 2017, as restated	3,084,585
Net position at June 30, 2018	\$ 3,394,538

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF CASH FLOWS
 Proprietary Fund
 For the year ended June 30, 2018

	<u>Business-type Activities - Enterprise Fund Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 889,235
Receipts from interfund services provided	6,512
Payments to suppliers	(585,660)
Payments to employees	(177,785)
	132,302
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Connection fees	329,125
Purchases of capital assets	(61,693)
Principal paid on capital debt	(38,824)
Interest paid on capital debt	(61,615)
	166,993
CASH FLOW FROM INVESTING ACTIVITIES	
Investment earnings	20,449
	319,744
Cash and investments at July 1, 2017	1,707,619
Cash and investments at June 30, 2018	\$ 2,027,363
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 23,174
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization expense	141,297
Change in assets and liabilities	
Receivables	(14,051)
Prepaid items	982
Accounts payable	1,460
Accrued liabilities	(1,409)
Due to other governmental units	(19,151)
	\$ 132,302

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 Fiduciary Funds
 June 30, 2018

	Agency Funds
ASSETS	
Cash and investments	\$ 13,057
Receivables	3,474
Total assets	\$ 16,531
 LIABILITIES	
Due to other governmental units	\$ 4,099
Other liabilities	12,432
Total liabilities	\$ 16,531

The accompanying notes are an integral part of this statement.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 common law Township governed by an elected seven-member Board.

Generally accepted accounting principles require that if the Township is considered to be financially accountable for 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.

Basis of Presentation—Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Township. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the Township's enterprise fund. 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.

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 where the amounts are reasonably equivalent in value to the interfund services provided 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.

The fund financial statements provide information about the Township's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements—Continued

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 reports the following major enterprise fund:

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

Additionally, the Township reports the following fund types:

The Agency Fund is custodial in nature and used to account for assets held by the Township as an agent for another organization or individual.

During the course of operations the Township has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

The 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 Township 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. 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 proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash 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.

Investments for the Township are reported at fair value (generally based on quoted market prices).

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.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

As the Township constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the Township are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Buildings and improvements	10-50
Utility systems	20-50
Land improvements	10-20
Office equipment	5-7
Equipment	3-25
Vehicles	5-15
Access rights	20

Other Postemployment Benefit Costs

The Township offers a defined benefit retiree healthcare benefits to retirees. The Township records a net other postemployment benefit (OPEB) liability for the difference between the total OPEB liability calculated by the actuary and the OPEB Plan's fiduciary net position. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Township itself can establish limitation on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Township's highest level of decision-making authority. The Township Board is the highest level of decision-making authority for the Township that can, by formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The Township Board has by resolution authorized the executive officers to assign fund balance. The Township Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

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 and lien on 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. Uncollected 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 of 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 2017 state taxable value for real/personal property of the Township totaled approximately \$171,000,000. The ad valorem taxes levied consisted of 1.1755, 2.988, .64, and 0.7968 mills for the Township's general operation, fire department operations, debt service, and street lights, respectively. These amounts are recognized in the respective General Fund, Fire Fund, Fire Station Debt Fund, and Street Light Fund.

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.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 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.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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.

The appropriated budget is prepared by fund, function and department. The Township may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2018, the Township had the following investments:

Investment Type	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Standard and Poor's</u>	<u>Percent</u>
External investment pool	\$ 1,404,450	65	AAAm	67.7 %
Money market funds	7,951	34	not rated	0.3 %
Negotiable certificates of deposit	<u>663,470</u>	<u>168</u>	not rated	<u>32 %</u>
Total fair value	<u>\$ 2,075,871</u>			<u>100.0 %</u>
Portfolio weighted average maturity		<u>98</u>		

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 value of the Pool shares.

Deposit and Investment Risks

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. More than 5 percent of the Township’s investments are in Wells Fargo negotiable certificates of deposit which is 32 percent of the Township’s investments.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE C—DEPOSITS AND INVESTMENTS—Continued

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, 2018, \$2,581,894 of the Township's bank balance of \$3,283,156 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.

NOTE D—FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Township the ability to access.

Level 2 Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE D—FAIR VALUE MEASUREMENTS—Continued

External investment pool: The assets are valued based upon the Township’s allocable share of the Michigan CLASS (Pool) pooled investment portfolio. The allocable share is based on the value of the underlying assets owned by the pool, minus its liabilities.

The assets managed by others are valued monthly by the Pool and are allocated based upon each organization’s calculated share of the Pool’s pooled investment portfolio. Each entity with an interest within the pooled investments receives a statement from the Pool indicating the additions to the investment (via contributions), withdrawals from the investment, and the investment returns allocated via a unitization process. The Township calculates the fair value of its share of the pooled investment assets held by the Pool based on the estimated fair value of the underlying assets. The Pool controls the investments and makes all management and investment decisions.

Money markets funds: Valued at amortized cost which approximates fair value.

Negotiable certificates of deposit: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Township believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Township’s assets at fair value on a recurring basis as of June 30, 2018:

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
External investment pool	\$ -	\$ 1,404,450	\$ -	\$ 1,404,450
Money market funds	-	7,951	-	7,951
Negotiable certificates of deposit	663,470	-	-	663,470
Total assets at fair value	\$ 663,470	\$ 1,412,401	\$ -	\$ 2,075,871

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE E—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 233,707	\$ -	\$ -	\$ 233,707
Construction in progress	-	220,000	-	220,000
Total capital assets, not being depreciated	233,707	220,000	-	453,707
Capital assets, being depreciated:				
Land improvements	523,292	-	-	523,292
Buildings and improvements	3,019,533	-	-	3,019,533
Equipment	330,248	-	-	330,248
Office equipment	64,963	-	-	64,963
Vehicles	1,391,044	-	122,341	1,268,703
Total capital assets, being depreciated	5,329,080	-	122,341	5,206,739
Less accumulated depreciation:				
Land improvements	257,447	25,615	-	283,062
Buildings and improvements	722,879	65,687	-	788,566
Equipment	191,377	22,558	-	213,935
Office equipment	51,213	4,261	-	55,474
Vehicles	804,527	69,141	122,341	751,327
Total accumulated depreciation	2,027,443	187,262	122,341	2,092,364
Total capital assets, being depreciated, net	3,301,637	(187,262)	-	3,114,375
Capital assets, net	\$ 3,535,344	\$ 32,738	\$ -	\$ 3,568,082

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE E—CAPITAL ASSETS—Continued

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 7,934	\$ -	\$ -	\$ 7,934
Construction in process	-	92,227	-	92,227
Total capital assets, not being depreciated	7,934	92,227	-	100,161
Capital assets, being depreciated:				
Buildings and improvements	18,613	-	-	18,613
Utility systems	9,316,132	-	-	9,316,132
Equipment	229,240	-	-	229,240
Vehicles	16,667	-	-	16,667
Access rights	1,674,280	-	-	1,674,280
Total capital assets, being depreciated	11,254,932	-	-	11,254,932
Less accumulated depreciation:				
Buildings and improvements	10,469	466	-	10,935
Utility systems	7,709,433	74,526	-	7,783,959
Equipment	196,351	5,101	-	201,452
Vehicles	16,667	-	-	16,667
Access rights	587,026	61,204	-	648,230
Total accumulated depreciation	8,519,946	141,297	-	8,661,243
Total capital assets, being depreciated, net	2,734,986	(141,297)	-	2,593,689
Capital assets, net	\$ 2,742,920	\$ (49,070)	\$ -	\$ 2,693,850

Depreciation

Depreciation expense has been charged to functions as follows:

Governmental activities:

General government	\$ 32,192
Public safety	121,585
Public works	11,745
Culture and recreation	21,740
	<u>\$ 187,262</u>

Business-type activities:

Sewer	<u>\$ 141,297</u>
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Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE F—INTERFUND TRANSFERS

The composition of interfund transfers as of June 30, 2018 consisted of the General Fund transferring \$301,616 to the Fire Fund for operations and capital outlay.

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, 2018:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
General obligation bonds	\$ 2,142,376	\$ -	\$ 35,000	\$ 2,107,376	\$ 35,000
Compensated absences	24,117	71,018	62,119	33,016	33,016
Governmental activities long-term liabilities	\$ 2,166,493	\$ 71,018	\$ 97,119	\$ 2,140,392	\$ 68,016
Business-type activities:					
General obligation bonds	\$ 1,300,194	\$ -	\$ 38,824	\$ 1,261,370	\$ 41,000
Premium	138,119	-	11,697	126,422	-
Compensated absences	3,292	13,999	13,306	3,985	3,985
Business-type activities long-term liabilities	\$ 1,441,605	\$ 13,999	\$ 63,827	\$ 1,391,777	\$ 44,985

	<u>Interest Rate</u>	<u>Date of</u> <u>Maturity</u>	<u>Balance</u>
Governmental activities:			
General obligation bonds			
2013 Unlimited Tax General Obligation Bonds	3.375%	May 2043	\$ 2,107,376
Business-type activities:			
General obligation bonds			
Muskegon County Wastewater Management - Number One Refunding Bonds of 2015	4-5%	Nov 2036	\$ 1,261,370

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE G—LONG-TERM DEBT—Continued

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, 2018 was approximately \$306,000. The Township is unaware of any circumstances that would cause a shortfall in the near future.

The Township was in compliance in all material respects with all bond ordinances at June 30, 2018.

Annual debt service requirements to maturity for debt outstanding as of June 30, 2018 follow:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 35,000	\$ 71,124	\$ 41,000	\$ 59,622
2020	35,000	69,943	43,000	57,526
2021	35,000	68,761	45,000	55,327
2022	35,000	67,580	48,000	53,004
2023	35,000	66,399	50,000	50,546
2024-2028	300,000	307,526	293,000	212,369
2029-2033	400,000	250,151	369,000	139,089
2034-2038	550,000	172,526	372,370	38,441
2039-2043	682,376	69,082	-	-
	\$ 2,107,376	\$ 1,143,092	\$ 1,261,370	\$ 665,924

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.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE H—OTHER INFORMATION—Continued

Risk Management—Continued

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.

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.

Commitments

During the year ended June 30, 2018, the Township entered into an agreement for the purchase of a new fire rescue pumper. This agreement required the Township to pay \$220,000 during the year ended June 30, 2018 and the remaining \$340,000 during the following fiscal year. These payments are to be paid by the Fire Fund, with interfund transfers from the General Fund.

During the year ended June 30, 2018, the Township began a project to upgrade its sanitary sewer lift station monitoring and alarm systems. The total cost of the project is estimated to be \$150,811, with \$92,227 being capitalized as construction in progress at June 30, 2018 and the remainder expected to be paid the following fiscal year. These payments are to be paid by the Sewer Fund.

NOTE I—PENSION PLAN

Defined Contribution Plan

The Township contributes to the Egelston Township Group Pension Plan (Plan), a defined contribution pension plan, for all of its employees except volunteer firemen and seasonal employees. The Plan is administered by the Township.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Township Board. For each employee in the Plan, the Township is required to contribute 14 percent of gross earnings. Employees are not required to contributions to the Plan. For the year ended June 30, 2018, the Township recognized pension expense of \$100,406.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Township contributions and earnings on Township contributions after completion of two years of qualified service to the Township. Nonvested Township contributions are forfeited upon termination of employment. Such forfeitures are used to reduce required Township contributions. For the year ended June 30, 2018 there were no forfeitures.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE J—OTHER POSTEMPLOYMENT BENEFITS

Retiree Healthcare Plan

Plan Description

The Township’s defined benefit OPEB Plan, the Egelston Township OPEB Plan (OPEB Plan), provides healthcare benefits to certain employees upon retirement. The Plan is a single-employer defined benefit plan administered by the Township Board. The benefits are provided under collective bargaining agreements and at the discretion of the Township Board. The OPEB Plan does not issue a publicly available report.

Benefits Provided

The OPEB Plan provides medical and dental insurances for eligible retirees who retire on or after 20 years of service, with an additional requirement for elected Township Board members, who must reach age 60.

Only elected Township Board members and non-union employees hired prior to November 20, 2016, IAFF Union employees hired prior to July 1, 2017, and Teamsters Union employees hired prior to March 1, 2016 are eligible for benefits.

Employees Covered by Benefit Terms

At the June 30, 2018 valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Active employees	16
Total employees covered by OPEB Plan	<hr style="border: 1px solid black;"/> 23 <hr style="border: 1px solid black;"/>

Contributions

The OPEB Plan’s funding policy is that the Township will make discretionary contributions. There are no long-term contracts for contributions to the OPEB Plan. The OPEB Plan has no legally required reserves. For the year ended June 30, 2018, the Township made payments for postemployment healthcare benefits for current retirees of \$42,001. The Township also made contributions to the OPEB Plan trust of \$75,000.

Net OPEB Liability

The Township’s net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as June 30, 2018.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	Included in investment rate of return
Salary increases	2.0 percent
Investment rate of return	5.69 percent (including inflation), net of administrative and investment expenses
Healthcare cost trend rates	8 percent graded down to 5 percent over 6 years

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE J—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Actuarial Assumptions—Continued

Mortality

Mortality rates were as set forth in the RP-2014 headcount weighted adjusted to 2006 base mortality rates (separate annuitant and non-annuitant tables), projected from the valuation date with improvement scale MP-2017.

Investment Rate of Return

The long-term rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan’s target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	67.5%	7.42%
Global fixed income	28.1%	1.97%
Real assets	2.7%	4.36%
Diversifying strategies	1.7%	0.76%

The sum of each target allocation times its long-term expected rate is 5.69 percent.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.69 percent. The projection of cash flows used to determine the discount rate assumed that Township contribution will be \$100,000 for 2019 and future years. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability. The discount rate used to calculate the liability at the beginning of the year is also 5.69 percent.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE J—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Position (b)	Net OPEB Liability (a)-(b)
Balance at June 30, 2017	\$ 1,215,060	\$ 216,699	\$ 998,361
Changes for the year			
Service cost	38,015	-	38,015
Interest	70,105	-	70,105
Contributions - employer	-	117,001	(117,001)
Net investment income	-	20,623	(20,623)
Administrative expenses	-	(1,383)	1,383
Benefit payments including refund of employee contributions	(42,001)	(42,001)	-
Net changes	66,119	94,240	(28,121)
Balance at June 30, 2018	\$ 1,281,179	\$ 310,939	\$ 970,240

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Township, calculated using the discount rate of 5.69 percent, as well as what the Township's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.69 percent) or 1-percentage-point higher (6.69 percent) than the current rate:

	1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
Township's net OPEB liability	\$ 1,154,961	\$ 970,240	\$ 819,119

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE J—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the Township, calculated using the healthcare cost trend rate of 8 percent, decreasing to 5 percent, as well as what the Township’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7 percent decreasing to 4 percent) or 1-percentage-point higher (9 percent decreasing to 6 percent) than the current rate:

		Current Healthcare Cost Trend Rates		
	1% Decrease (7% Decreasing to 4%)	(8% Decreasing to 5%)	1% Increase (9% Decreasing to 6%)	
Township's net OPEB liability	\$ 833,867	\$ 970,240	\$ 1,142,504	

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB Plan’s fiduciary net position is not available in a separately issued financial report. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the Township’s fiduciary net position have been determined on the same basis as they are reported by the Township. For these purposes, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Township recognized OPEB expense of \$93,838. At June 30, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual net investment income	\$ -	\$ 4,958

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE J—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2019	\$ (1,240)
2020	(1,240)
2021	(1,240)
2022	(1,238)

Payables to the OPEB Plan

At June 30, 2018, the Township did not have a payable to the OPEB Plan.

NOTE K—ECONOMIC DEPENDENCY

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

NOTE L—CHANGE IN ACCOUNTING PRINCIPLE

The net position of the governmental activities and business-type activities (Sewer Fund), were restated, effective July 1, 2017, to reflect the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. GASB Statement No. 75 changed how governments measure and report the long-term obligations and annual costs associated with postemployment benefits other than pensions that they provide.

The restatement of the beginning of the year net position is as follows:

	Governmental Activities	Business-type Activities (Sewer Fund)
Net position at July 1, 2017	\$ 3,923,437	\$ 3,097,803
Net OPEB liability	(16,193)	(13,218)
Net position at July 1, 2017, as restated	\$ 3,907,244	\$ 3,084,585

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE M—UPCOMING ACCOUNTING PRONOUNCEMENT

GASB Statement 84—*Fiduciary Activities* was issued by the GASB in January 2017 and will be effective for the Township’s 2020 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Egelston Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget- Positive (Negative)</u>
REVENUES				
Property taxes	\$ 288,538	\$ 288,538	\$ 290,056	\$ 1,518
Licenses and permits	195,600	238,407	238,462	55
Intergovernmental revenues - State	804,196	870,573	871,401	828
Charges for services	70,030	74,405	68,693	(5,712)
Investment earnings	7,400	22,900	30,146	7,246
Other	48,307	108,555	102,929	(5,626)
Total revenues	1,414,071	1,603,378	1,601,687	(1,691)
EXPENDITURES				
Current				
General government				
Township board	24,300	24,300	20,525	3,775
Supervisor	46,700	46,700	45,124	1,576
Elections	14,500	14,500	8,722	5,778
Board of review	3,200	3,200	1,820	1,380
Clerk	96,500	96,500	94,040	2,460
Treasurer	85,601	72,401	69,722	2,679
Assessor	61,700	61,950	61,800	150
Township hall	65,863	65,863	51,059	14,804
Cemetery	34,750	34,750	28,026	6,724
Professional services	19,000	26,200	23,570	2,630
Office clerk	103,588	102,088	98,632	3,456
Maintenance	96,920	96,920	92,420	4,500
Public safety				
Inspection department	109,574	121,855	117,460	4,395
Sheriff	72,000	72,000	71,752	248
Public works				
Landfill	5,600	5,600	2,919	2,681
Roads	216,462	218,479	205,833	12,646
Community and economic development				
Planning	8,950	9,450	7,146	2,304
Zoning board of appeals	1,250	2,169	540	1,629
Culture and recreation				
Recreation programs and park maintenance	40,100	40,100	31,884	8,216
Library	20,966	22,466	20,625	1,841
Other governmental functions				
Payroll benefits	296,325	286,824	271,701	15,123
Insurance	36,000	27,983	25,328	2,655
Other	22,051	29,602	22,477	7,125
Total expenditures	1,481,900	1,481,900	1,373,125	108,775
Excess of revenues over (under) expenditures	(67,829)	121,478	228,562	107,084
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	1,000	1,000	250	(750)
Transfers out	(418,158)	(364,689)	(301,616)	63,073
Total other financing sources (uses)	(417,158)	(363,689)	(301,366)	62,323
Net change in fund balance	<u>\$ (484,987)</u>	<u>\$ (242,211)</u>	(72,804)	<u>\$ 169,407</u>
Fund balance at July 1, 2017			3,166,030	
Fund balance at June 30, 2018			<u>\$ 3,093,226</u>	

Egelston Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Fire Fund
For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 520,954	\$ 520,954	\$ 513,588	\$ (7,366)
Intergovernmental revenue - State	-	46,041	46,041	-
Charges for services	51,827	51,827	50,852	(975)
Investment earnings	-	-	7	7
Other	-	7,428	8,554	1,126
Total revenues	572,781	626,250	619,042	(7,208)
EXPENDITURES				
Current				
Public safety	763,939	763,939	704,087	59,852
Capital outlay	232,000	232,000	220,000	12,000
Total expenditures	995,939	995,939	924,087	71,852
Excess of revenues over (under) expenditures	(423,158)	(369,689)	(305,045)	64,644
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	5,000	5,000	3,000	(2,000)
Transfers in	418,158	364,689	301,616	(63,073)
Total other financing sources	423,158	369,689	304,616	(65,073)
Net change in fund balance	\$ -	\$ -	(429)	\$ (429)
Fund balance at July 1, 2017			38,293	
Fund balance at June 30, 2018			\$ 37,864	

Egelston Township
 Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
 Street Light Fund
 For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 138,994	\$ 138,994	\$ 136,943	\$ (2,051)
Intergovernmental revenue - State	-	12,281	12,280	(1)
Investment earnings	150	150	304	154
Total revenues	139,144	151,425	149,527	(1,898)
EXPENDITURES				
Current				
Public works	131,700	138,900	138,513	387
Net change in fund balance	\$ 7,444	\$ 12,525	11,014	\$ (1,511)
Fund balance at July 1, 2017			117,327	
Fund balance at June 30, 2018			\$ 128,341	

Egelston Township
REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTHCARE SYSTEM SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years (Amounts were determined as of June 30 of each fiscal year)

	2018
TOTAL OPEB LIABILITY	
Service cost	\$ 38,015
Interest	70,105
Benefit payments, including refunds of employee contributions	(42,001)
Net change in total OPEB liability	66,119
Total OPEB liability at beginning of year	1,215,060
Total OPEB liability at end of year (a)	\$ 1,281,179
 PLAN FIDUCIARY NET POSITION	
Contributions-employer	\$ 117,001
Net investment income	20,623
Benefit payments, including refunds or employee contributions	(42,001)
Administrative expense	(1,383)
Net change in plan fiduciary net position	94,240
Plan fiduciary net position at beginning of year	216,699
Plan fiduciary net position at end of year (b)	\$ 310,939
Township's net OPEB liability at end of year (a)-(b)	\$ 970,240
 Plan fiduciary net position as a percentage of the total OPEB liability	24.27%
 Covered employee payroll	Not Available
 Township's net OPEB liability as a percentage of covered employee payroll	Not Available

Notes to Schedule

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

Egelston Township
REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTHCARE SYSTEM SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years (Amounts were determined as of June 30 of each fiscal year)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 129,336	\$ 131,586	\$ 131,586	\$ 170,432	\$ 170,432	\$ 170,432	\$ 181,077	\$ 181,077	\$ 181,077	\$ -
Contributions in relation to the actuarially determined contribution	117,001	115,296	44,633	48,792	44,472	36,623	33,551	38,461	32,071	-
Contribution deficiency (excess)	\$ 12,335	\$ 16,290	\$ 86,953	\$ 121,640	\$ 125,960	\$ 133,809	\$ 147,526	\$ 142,616	\$ 149,006	\$ -
Covered employee payroll	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Contributions as percentage of covered employee payroll	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of June 30, 2018.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal (level percentage of compensation)
Amortization method	Level percentage of payroll, Closed
Remaining amortization period	9.46 years
Asset valuation method	Equal to market value of assets
Inflation	Included in investment rate of return
Salary increases	2 percent
Investment rate of return	5.69 percent (including inflation), net of administrative and investment expenses
Retirement age	60 years of age
Mortality	Mortality rates were as set forth in the RP-2014 headcount weighted adjusted to 2006 base mortality rates (separate annuitant and non-annuitant tables), projected from the valuation date with improvement scale MP-2017.

OTHER SUPPLEMENTAL INFORMATION

Egelston Township
COMBINING BALANCE SHEET
 Other Governmental Funds
 June 30, 2018

	Total Other Governmental Funds	Special Revenue Fund Festival	Debt Service Fund Fire Station Debt
ASSETS			
Cash and investments	\$ 129,446	\$ 40,783	\$ 88,663
Accounts receivable	4	-	4
Prepaid items	487	487	-
Total assets	\$ 129,937	\$ 41,270	\$ 88,667
 LIABILITIES			
Unearned revenues - fees for subsequent year	\$ 5,975	\$ 5,975	\$ -
 FUND BALANCES			
Nonspendable - prepaid items	487	487	-
Restricted			
Debt service	88,667	-	88,667
Festival	34,808	34,808	-
Total fund balances	123,962	35,295	88,667
Total liabilities and fund balances	\$ 129,937	\$ 41,270	\$ 88,667

Egelston Township
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
Other Governmental Funds
For the year ended June 30, 2018

	Total Other Governmental Funds	Special Revenue Fund <u>Festival</u>	Debt Service Fund <u>Fire Station Debt</u>
REVENUES			
Property taxes	\$ 110,170	\$ -	\$ 110,170
Intergovernmental revenues - State	9,864	-	9,864
Investment earnings	298	99	199
Other	13,202	13,202	-
Total revenues	<u>133,534</u>	<u>13,301</u>	<u>120,233</u>
EXPENDITURES			
Current			
Culture and recreation	10,068	10,068	-
Debt service			
Principal	35,000	-	35,000
Interest and fees	72,305	-	72,305
Total expenditures	<u>117,373</u>	<u>10,068</u>	<u>107,305</u>
Net change in fund balances	16,161	3,233	12,928
Fund balances at July 1, 2017	<u>107,801</u>	<u>32,062</u>	<u>75,739</u>
Fund balances at June 30, 2018	<u><u>\$ 123,962</u></u>	<u><u>\$ 35,295</u></u>	<u><u>\$ 88,667</u></u>