

Egelston Township
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2009

Egelston Township

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As management of Egelston Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2009. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

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

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for the Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of June 30, 2009, the Township's net assets from governmental activities totaled \$3,421,390 (48%) and \$3,764,709 (52%) from business-type activities, creating a total government-wide net assets total of \$7,186,099.

Egelston Township

Management's Discussion and Analysis

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental activities actually depict a balance of \$1,992,613. This represents the amount of discretionary resources that can be used for general governmental operations.

The business-type activities show a total of \$3,764,709 in net assets and \$1,534,454 in unrestricted net assets.

Current assets for the governmental activities increased by approximately \$104,000 from the prior year due primarily to higher cash and investments reflecting an increase in net assets. Capital assets are down by approximately \$39,500 because depreciation exceeded capital asset additions for the year.

Capital assets for the business-type activities decreased by approximately \$89,000 because depreciation exceeded capital asset additions for the year. Current liabilities increased by approximately \$85,000 due to higher payables to Muskegon County for Sewer usage as more users have connected to the system and charges from the County have risen.

Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Current assets and						
other assets	\$ 2,520,388	\$ 2,416,209	\$ 3,218,900	\$ 3,208,834	\$ 5,739,288	\$ 5,625,043
Capital assets	1,054,576	1,094,106	2,326,647	2,415,273	3,381,223	3,509,379
Total assets	3,574,964	3,510,315	5,545,547	5,624,107	9,120,511	9,134,422
Current liabilities	153,574	130,024	140,058	55,567	293,632	185,591
Noncurrent liabilities	-	16,345	1,655,780	1,687,348	1,655,780	1,703,693
Total liabilities	153,574	146,369	1,795,838	1,742,915	1,949,412	1,889,284
Net assets						
Invested in capital assets,						
net of related debt	1,054,576	1,094,106	2,230,255	2,381,330	3,284,831	3,475,436
Restricted	374,201	364,013	-	-	374,201	364,013
Unrestricted	1,992,613	1,905,827	1,519,454	1,499,862	3,512,067	3,405,689
Total net assets	\$ 3,421,390	\$ 3,363,946	\$ 3,749,709	\$ 3,881,192	\$ 7,171,099	\$ 7,245,138

Egelston Township

Management's Discussion and Analysis

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

Change in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues						
Charges for services	\$ 165,260	\$ 185,353	\$ 465,945	\$ 422,162	\$ 631,205	\$ 607,515
Operating grants and contributions	6,486	-	-	-	6,486	-
Capital grants and contributions	-	-	142,720	231,982	142,720	231,982
General revenues						
Property taxes	958,498	908,729	-	-	958,498	908,729
Franchise fees	67,811	59,894	-	-	67,811	59,894
Grants and contributions not restricted	706,481	744,170	-	-	706,481	744,170
Unrestricted investment earnings	42,451	90,744	20,976	73,860	63,427	164,604
Miscellaneous	33,324	16,308	-	-	33,324	16,308
Gain on sale of capital assets	7,651	20,100	-	551	7,651	20,651
Total revenues	1,987,962	2,025,298	629,641	728,555	2,617,603	2,753,853
Expenses:						
General government	811,522	777,789	-	-	811,522	777,789
Public safety	886,503	840,228	-	-	886,503	840,228
Public works	148,853	188,547	-	-	148,853	188,547
Community and economic development	10,254	9,417	-	-	10,254	9,417
Culture and recreation	73,386	85,155	-	-	73,386	85,155
Sewer Fund	-	-	761,124	631,854	761,124	631,854
Total expenses	1,930,518	1,901,136	761,124	631,854	2,691,642	2,532,990
Change in net assets	57,444	124,162	(131,483)	96,701	(74,039)	220,863
Net assets - Beginning	3,363,946	3,239,784	3,881,192	3,784,491	7,245,138	7,024,275
Net assets - Ending	\$ 3,421,390	\$ 3,363,946	\$ 3,749,709	\$ 3,881,192	\$ 7,171,099	\$ 7,245,138

At year-end, on June 30, 2009, net assets increased by \$57,444 in governmental activities and decreased by \$131,483 in business-type activities. This resulted in an overall decrease of \$74,039 government wide.

Governmental Activities

Charges for services declined by approximately \$20,000 due to less permit activity as the poor economy slowed building activities. Property tax revenue increased approximately \$50,000 due to growth in taxable value. Grants and contributions not restricted decreased by approximately \$38,000 due to revenue sharing cuts. Investment earnings decreased approximately \$48,000 due to lower rates of return on investments.

General government expenses increased by approximately \$34,000 due to higher election costs for the national election in 2008, repairs and maintenance to the caretaker house, and inflationary increases in salaries and wages. Public safety expenses increased by approximately \$46,000 because the Township filled the vacant fire chief position towards the end of the year, additional insurance costs, and building repairs. Public works expenses decrease by approximately \$40,000 because of street light improvements in the prior year.

Business-type Activities

Charges for services increased by approximately \$34,000 due to an increase in the number of users of the Township system resulting from the completion of the Township's sewer expansion project. Similarly, capital grants and contributions remain high due to new users hooking up into the system. Sewer Fund expenses increased approximately \$129,000 due to higher charges by the County resulting from higher flow due to additional users as well as higher fees. The Sewer Fund also incurred expenses related to sewer lateral repair.

Financial Analysis of the Government's Funds

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

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

At the end of the 2009 fiscal year, the governmental funds reported a combined fund balance of \$2,402,494. This number represents the fund balance of \$2,007,342 in the General Fund, \$111,078 in the Fire Fund, \$257,211 in the Street Light Fund, and \$26,863 in other governmental funds. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. The amount of the fund balance that is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders is \$71,571. Of the remaining unreserved fund balances, \$1,085,000 is designated for various improvements.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year 2009, the unreserved General Fund fund balance was \$1,970,822 and the total General Fund fund balance was \$2,007,342. As a measure of the General Fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. Unreserved fund balance represents 162% of the General Fund expenditures. The ratio in the previous year was 155%.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net assets of the Sewer Fund decreased by \$131,483.

General Fund Budget

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

- The licenses and permits revenues budget was increased to reflect a new cable franchise agreement which was anticipated to bring additional revenues into the Township.
- The other revenues budget was increased to reflect insurance reimbursements for storm damage.

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

- Licenses and permits revenues were under the final budget by \$24,290 due to less permit activity arising from the slow economy.
- Inspection department expenditures were under the final budget by \$28,190 due to less activity than anticipated as a result of a slow economy.
- Payroll benefits expenditures were under the final budget by \$21,102 due to certain benefits and pension costs costing slightly less than anticipated.
- Capital outlay expenditures were under the final budget by \$95,844 because the Township decided to cancel or delay a number of purchases due to the slow economy.
- Transfers out were under the final budget by \$57,085 as a budgeted transfer to subsidize operations in the Fire Fund was not necessary.

Egelston Township

Management's Discussion and Analysis

Capital Assets Administration

The Township's investment in capital assets for its governmental and business-type activities as of June 30, 2009 totaled \$3,381,223 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, office equipment, equipment, utility systems and vehicles.

Major capital asset additions during the current year included a new Township complex sign, leaf vacuum trailer, sprinkling system in the cemetery, two pickup trucks, an easement in the Sewer Fund, and two pumps.

Capital Assets (Net of Accumulated Depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Land	\$ 229,710	\$ 229,710	\$ 7,934	\$ 3,514	\$ 237,644	\$ 233,224
Land improvements	219,731	212,510	-	-	219,731	212,510
Buildings and improvements	376,560	392,309	11,866	12,331	388,426	404,640
Utility systems	-	-	2,223,799	2,331,891	2,223,799	2,331,891
Equipment	79,378	94,888	83,048	67,537	162,426	162,425
Office equipment	3,615	10,424	-	-	3,615	10,424
Vehicles	145,582	154,265	-	-	145,582	154,265
Total	\$ 1,054,576	\$ 1,094,106	\$ 2,326,647	\$ 2,415,273	\$ 3,381,223	\$ 3,509,379

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

Long-Term Debt

At the end of the fiscal year, the Township had total outstanding debt of \$1,726,473 consisting of general obligation bonds and compensated absences.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligations						
bonds	\$ -	\$ -	\$ 1,686,780	\$ 1,686,017	\$ 1,686,780	\$ 1,686,017
Compensated absences	35,680	32,691	4,013	2,662	39,693	35,353
Total	\$ 35,680	\$ 32,691	\$ 1,690,793	\$ 1,688,679	\$ 1,726,473	\$ 1,721,370

The Township's total debt increased by \$5,103 during the fiscal year. The increase came from higher compensated absences. There were no required payments on the Township's general obligation bonds this year.

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

General Economic Overview

The Township's General Fund has two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised over 78% of the General Fund revenue sources. In fiscal 2010, state revenue sharing is expected to decrease by approximately 6 to 7% and property tax revenues are expected to decline by approximately 1%.

The Township is expecting operating expenditures to increase by the rate of inflation in the coming year. The Township has committed approximately \$312,000 to purchase a new tanker for the fire department which will be paid for by an operating transfer from the General Fund. No other significant capital items are planned at this time. As part of its budget, the Township has appropriated approximately \$127,000 to transfer to the Fire Fund to support fire operations.

The Township is planning on conducting a sewer rate study to determine the adequacy of the current rate structure in covering operating costs due to higher wholesale charges from Muskegon County. Based on the results of the study, rates may be increased.

Requests for Information

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

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

November 9, 2009

Township Board
Egelston Township
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Egelston Township, Michigan as of and for the year ended June 30, 2009, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Egelston Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Egelston Township, Michigan, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - viii and 26 - 28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brickley De Long, P.C.

Egelston Township
STATEMENT OF NET ASSETS
June 30, 2009

	ASSETS		
	Governmental activities	Business-type activities	Total
CURRENT ASSETS			
Cash and investments	\$ 2,198,409	\$ 1,223,167	\$ 3,421,576
Receivables	19,162	200,160	219,322
Due from other governmental units	231,246	-	231,246
Prepaid items	71,571	4,931	76,502
Total current assets	2,520,388	1,428,258	3,948,646
NONCURRENT ASSETS			
Capital assets, net			
Nondepreciable	229,710	7,934	237,644
Depreciable	824,866	2,318,713	3,143,579
Access rights, net	-	1,576,884	1,576,884
Bond issue costs, net	-	13,503	13,503
Special assessments receivable	-	200,255	200,255
Total noncurrent assets	1,054,576	4,117,289	5,171,865
Total assets	3,574,964	5,545,547	9,120,511
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	111,819	38,614	150,433
Due to other governmental units	6,075	66,431	72,506
Bonds and other obligations, due within one year	35,680	35,013	70,693
Total current liabilities	153,574	140,058	293,632
NONCURRENT LIABILITIES			
Bonds and other obligations, less amounts due within one year	-	1,655,780	1,655,780
Total liabilities	153,574	1,795,838	1,949,412
NET ASSETS			
Invested in capital assets, net of related debt	1,054,576	2,230,255	3,284,831
Restricted for:			
Fire operations	111,078	-	111,078
Street lights	257,211	-	257,211
Muskegon Regional Water Alliance	5,912	-	5,912
Unrestricted	1,992,613	1,519,454	3,512,067
Total net assets	\$ 3,421,390	\$ 3,749,709	\$ 7,171,099

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF ACTIVITIES
For the year ended June 30, 2009

<i>Functions/Programs</i>	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities							
General government	\$ 811,522	\$ 49,107	\$ 2,916	\$ -	\$ (759,499)	\$ -	\$ (759,499)
Public safety	886,503	69,087	2,770	-	(814,646)	-	(814,646)
Public works	148,853	-	-	-	(148,853)	-	(148,853)
Community and economic development	10,254	-	-	-	(10,254)	-	(10,254)
Culture and recreation	73,386	47,066	800	-	(25,520)	-	(25,520)
Total governmental activities	1,930,518	165,260	6,486	-	(1,758,772)	-	(1,758,772)
Business-type activities							
Sewer	761,124	465,945	-	142,720	-	(152,459)	(152,459)
Total government	\$ 2,691,642	\$ 631,205	\$ 6,486	\$ 142,720	(1,758,772)	(152,459)	(1,911,231)
General revenues							
Property taxes, levied for							
General purposes					312,937	-	312,937
Specific purposes					645,561	-	645,561
Franchise fees					67,811	-	67,811
Grants and contributions not restricted to specific programs					706,481	-	706,481
Unrestricted investment earnings					42,451	20,976	63,427
Miscellaneous					33,324	-	33,324
Gain on sale of capital assets					7,651	-	7,651
Total general revenues					1,816,216	20,976	1,837,192
Change in net assets					57,444	(131,483)	(74,039)
Net assets at July 1, 2008					3,363,946	3,881,192	7,245,138
Net assets at June 30, 2009					\$ 3,421,390	\$ 3,749,709	\$ 7,171,099

The accompanying notes are an integral part of this statement.

Egelston Township
BALANCE SHEET
 Governmental Funds
 June 30, 2009

	General Fund	Fire Fund	Street Light Fund	Other governmental funds	Total governmental funds
ASSETS					
Cash and investments	\$ 1,807,342	\$ 97,110	\$ 267,094	\$ 26,863	\$ 2,198,409
Accounts receivable	19,162	-	-	-	19,162
Due from other governmental units	215,256	15,990	-	-	231,246
Prepaid items	36,520	35,051	-	-	71,571
Total assets	\$ 2,078,280	\$ 148,151	\$ 267,094	\$ 26,863	\$ 2,520,388
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 22,776	\$ 8,501	\$ 9,883	\$ -	\$ 41,160
Accrued liabilities	42,631	28,028	-	-	70,659
Due to other governmental units	5,531	544	-	-	6,075
Total liabilities	70,938	37,073	9,883	-	117,894
Fund balances					
Reserved for prepaid items	36,520	35,051	-	-	71,571
Unreserved					
Designated, reported in General Fund	1,085,000	-	-	-	1,085,000
Undesignated, reported in					
General Fund	885,822	-	-	-	885,822
Special revenue funds	-	76,027	257,211	26,863	360,101
Total fund balances	2,007,342	111,078	257,211	26,863	2,402,494
Total liabilities and fund balances	\$ 2,078,280	\$ 148,151	\$ 267,094	\$ 26,863	\$ 2,520,388

The accompanying notes are an integral part of this statement.

Egelston Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 June 30, 2009

Total fund balance—governmental funds		\$ 2,402,494
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Cost of capital assets	\$ 2,606,069	
Accumulated depreciation	<u>(1,551,493)</u>	1,054,576

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

Compensated absences		<u>(35,680)</u>
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Net assets of governmental activities in the Statement of Net Assets		<u><u>\$ 3,421,390</u></u>
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The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended June 30, 2009

	General Fund	Fire Fund	Street Light Fund	Other governmental funds	Total governmental funds
REVENUES					
Property taxes	\$ 312,937	\$ 549,869	\$ 95,693	\$ -	\$ 958,499
Licenses and permits	122,082	-	-	-	122,082
Intergovernmental revenues - State	706,481	-	-	-	706,481
Charges for services	35,176	17,657	-	-	52,833
Investment earnings	37,955	-	4,191	305	42,451
Other	87,230	10,734	-	-	97,964
Total revenues	1,301,861	578,260	99,884	305	1,980,310
EXPENDITURES					
Current					
General government	569,983	-	-	-	569,983
Public safety	123,592	552,637	-	-	676,229
Public works	9,469	-	120,919	-	130,388
Community and economic development	8,193	-	-	-	8,193
Culture and recreation	58,185	-	-	226	58,411
Other governmental functions	384,910	-	-	-	384,910
Capital outlay	59,884	-	-	-	59,884
Total expenditures	1,214,216	552,637	120,919	226	1,887,998
Excess of revenues over (under) expenditures	87,645	25,623	(21,035)	79	92,312
OTHER FINANCING SOURCES					
Proceeds from sale of capital assets	2,051	5,600	-	-	7,651
Net change in fund balances	89,696	31,223	(21,035)	79	99,963
Fund balances at July 1, 2008	1,917,646	79,855	278,246	26,784	2,302,531
Fund balances at June 30, 2009	\$ 2,007,342	\$ 111,078	\$ 257,211	\$ 26,863	\$ 2,402,494

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, 2009

Net change in fund balances—total governmental funds	\$	99,963
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Depreciation expense	\$ (99,414)	
Capital outlay	<u>59,884</u>	(39,530)

Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.		<u>(2,989)</u>
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Change in net assets of governmental activities	\$	<u><u>57,444</u></u>
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The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF NET ASSETS
Proprietary Fund
June 30, 2009

ASSETS

	Business-type Activities - <u>Enterprise Fund</u> <u>Sewer</u>
CURRENT ASSETS	
Cash and investments	\$ 1,223,167
Receivables	
Accounts	177,160
Special assessments	23,000
Prepaid items	<u>4,931</u>
Total current assets	1,428,258
NONCURRENT ASSETS	
Capital assets	
Land	7,934
Buildings	18,613
Utility system	9,277,247
Equipment	235,408
Less accumulated depreciation	<u>(7,212,555)</u>
Net capital assets	2,326,647
Access rights, net	1,576,884
Bond issuance costs, net	13,503
Special assessments receivable	<u>200,255</u>
Total noncurrent assets	<u>4,117,289</u>
Total assets	5,545,547
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	15,387
Accrued liabilities	23,227
Due to other governmental units	66,431
Bonds and other obligations, due within one year	<u>35,013</u>
Total current liabilities	140,058
NONCURRENT LIABILITIES	
Bonds and other obligations, less amounts due within one year	<u>1,655,780</u>
Total liabilities	<u>1,795,838</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,230,255
Unrestricted	<u>1,519,454</u>
Total net assets	<u>\$ 3,749,709</u>

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 Proprietary Fund
 For the year ended June 30, 2009

	Business-type Activities - <u>Enterprise Fund</u> <u>Sewer</u>
REVENUES	
Charges for services	\$ 465,945
OPERATING EXPENSES	
Administration	32,394
Operations	466,673
Depreciation and amortization	<u>184,138</u>
Total operating expenses	<u>683,205</u>
Operating loss	(217,260)
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	20,976
Connection fees	142,720
Interest expense	<u>(77,919)</u>
Total nonoperating revenues (expenses)	<u>85,777</u>
Change in net assets	(131,483)
Net assets at July 1, 2008	<u>3,881,192</u>
Net assets at June 30, 2009	\$ <u><u>3,749,709</u></u>

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF CASH FLOWS
 Proprietary Fund
 For the year ended June 30, 2009

	Business-type Activities - <u>Enterprise fund</u> <u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 416,947
Receipts from interfund services provided	2,617
Payments to suppliers	(285,316)
Payments to employees	<u>(162,338)</u>
Net cash used for operating activities	(28,090)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Connection fees	64,294
Purchases of capital assets	(33,827)
Interest paid on capital debt	<u>(77,156)</u>
Net cash used for capital and related financing activities	(46,689)
CASH FLOW FROM INVESTING ACTIVITIES	
Investment earnings	<u>20,976</u>
Net decrease in cash and investments	(53,803)
Cash and investments at July 1, 2008	<u>1,276,970</u>
Cash and investments at June 30, 2009	<u><u>\$ 1,223,167</u></u>
Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (217,260)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation and amortization expense	184,138
Change in assets and liabilities	
Receivables, net	(46,381)
Prepaid items	(749)
Accounts payable	8,408
Accrued liabilities	1,825
Due to other governmental units	<u>41,929</u>
Net cash used for operating activities	<u><u>\$ (28,090)</u></u>

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
June 30, 2009

	<u>Agency funds</u>
ASSETS	
Cash and investments	\$ 8,460
Receivables	<u>2,379</u>
Total assets	<u><u>\$ 10,839</u></u>
LIABILITIES	
Due to other governmental units	\$ 3,921
Other liabilities	<u>6,918</u>
Total liabilities	<u><u>\$ 10,839</u></u>

The accompanying notes are an integral part of this statement.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

The Township reports the following major proprietary fund:

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

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

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

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

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

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

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

Receivables and Payables

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

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

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Receivables and Payables—Continued

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

The 2008 state taxable value for real/personal property of the Township totaled approximately \$185,599,000. The ad valorem taxes levied consisted of 1.1803, 2.8731 and 0.5000 mills for the Township's general operations, fire department operations, and street lights, respectively. These amounts are recognized respectively in the General Fund, Fire Fund, and Street Light Fund.

Prepaid Items

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

Capital Assets

Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Compensated Absences

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

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity

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

Use of Estimates

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

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

- a. Prior to June 30, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to June 30, the budget is legally enacted through passage of a resolution.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board.

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

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2009, the Township had the following investments:

Investment Type	<u>Fair value</u>	<u>Weighted average maturity (Days)</u>	<u>Moody's</u>	<u>Percent</u>
External investment pool	\$ 272,850	38	AAA	22.9 %
Negotiable certificates of deposit	118,345	122	not rated	9.9
Overnight repurchase agreements	<u>802,845</u>	<u>1</u>	AAA	<u>67.2</u>
Total fair value	<u>\$ 1,194,040</u>			<u>100.0 %</u>
Portfolio weighted average maturity		<u>21</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 fair value of the Pool.

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

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

Concentration of credit risk. The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2009, \$794,627 of the Township's bank balance of \$2,249,699 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 229,710	\$ -	\$ -	\$ 229,710
 Capital assets, being depreciated:				
Land improvements	314,969	25,140	-	340,109
Buildings and improvements	870,650	7,260	-	877,910
Equipment	258,501	5,500	5,990	258,011
Office equipment	47,747	-	-	47,747
Vehicles	<u>847,345</u>	<u>21,984</u>	<u>16,747</u>	<u>852,582</u>
Total capital assets, being depreciated	2,339,212	59,884	22,737	2,376,359
 Less accumulated depreciation:				
Land improvements	102,459	17,919	-	120,378
Buildings and improvements	478,341	23,009	-	501,350
Equipment	163,613	21,010	5,990	178,633
Office equipment	37,323	6,809	-	44,132
Vehicles	<u>693,080</u>	<u>30,667</u>	<u>16,747</u>	<u>707,000</u>
Total accumulated depreciation	<u>1,474,816</u>	<u>99,414</u>	<u>22,737</u>	<u>1,551,493</u>
 Total capital assets, being depreciated, net				
	<u>864,396</u>	<u>(39,530)</u>	<u>-</u>	<u>824,866</u>
 Capital assets, net				
	<u>\$ 1,094,106</u>	<u>\$ (39,530)</u>	<u>\$ -</u>	<u>\$ 1,054,576</u>

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE D—CAPITAL ASSETS—Continued

	Balance July 1, 2008	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2009
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,514	\$ 4,420	\$ -	\$ 7,934
 Capital assets, being depreciated:				
Utility systems	9,277,247	-	-	9,277,247
Equipment	223,913	29,407	17,910	235,410
Buildings and improvements	18,613	-	-	18,613
Total capital assets, being depreciated	<u>9,519,773</u>	<u>29,407</u>	<u>17,910</u>	<u>9,531,270</u>
 Less accumulated depreciation:				
Utility systems	6,945,356	108,092	-	7,053,448
Equipment	156,376	13,896	17,910	152,362
Buildings and improvements	6,282	465	-	6,747
Total accumulated depreciation	<u>7,108,014</u>	<u>122,453</u>	<u>17,910</u>	<u>7,212,557</u>
Total capital assets, being depreciated, net	<u>2,411,759</u>	<u>(93,046)</u>	<u>-</u>	<u>2,318,713</u>
Capital assets, net	<u>\$ 2,415,273</u>	<u>\$ (88,626)</u>	<u>\$ -</u>	<u>\$ 2,326,647</u>

Depreciation expense has been charged to functions as follows:

Governmental activities:	
General government	\$ 39,836
Public safety	29,938
Public works	14,665
Culture and recreation	<u>14,975</u>
	<u>\$ 99,414</u>
 Business-type activities:	
Sewer	<u>\$ 122,453</u>

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

NOTE E—ACCESS RIGHTS

Access rights activity for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008		Additions		Deductions		Balance June 30, 2009
	<u> </u>		<u> </u>		<u> </u>		<u> </u>
Business-type activities							
Access rights	\$ 1,674,280	\$ -	\$ -		\$ -		\$ 1,674,280
Less accumulated amortization	<u>36,192</u>	<u>61,204</u>	<u>-</u>		<u>-</u>		<u>97,396</u>
Access rights, net	<u>\$ 1,638,088</u>	<u>\$ (61,204)</u>	<u>\$ -</u>		<u>\$ -</u>		<u>\$ 1,576,884</u>

Amortization

Amortization expense has been charged to sewer.

NOTE F—BOND ISSUANCE COSTS

Bond issuance cost activity for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008		Additions		Deductions		Balance June 30, 2009
	<u> </u>		<u> </u>		<u> </u>		<u> </u>
Business-type activities:							
Bond issuance costs	\$ 14,952	\$ -	\$ -		\$ -		\$ 14,952
Less accumulated amortization	<u>966</u>	<u>483</u>	<u>-</u>		<u>-</u>		<u>1,449</u>
Bond issuance costs, net	<u>\$ 13,986</u>	<u>\$ (483)</u>	<u>\$ -</u>		<u>\$ -</u>		<u>\$ 13,503</u>

Amortization

Amortization expense has been charged to sewer.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

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, 2009.

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due within one year
Governmental activities:					
Compensated absences	\$ 32,691	\$ 66,511	\$ 63,522	\$ 35,680	\$ 35,680
Business-type activities:					
General obligations bond	\$ 1,686,017	\$ -	\$ (763)	\$ 1,686,780	\$ 31,000
Compensated absences	2,662	10,235	8,884	4,013	4,013
Business-type activity long-term liabilities	\$ 1,688,679	\$ 10,235	\$ 8,121	\$ 1,690,793	\$ 35,013
General obligation bonds:					
\$1,700,000 Muskegon County Wastewater Management - Number One Bond of 2006 due in annual installments of approximately \$31,000 to \$108,000 through November 2036; interest at rates varying from 4.25% to 5%				\$ 1,700,000	
Less bond discount				(13,220)	
				1,686,780	
Compensated absences				4,013	
				\$ 1,690,793	

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, 2009 was approximately \$519,000. 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, 2009.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE G—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

Annual debt service requirements to maturity for debt outstanding as of June 30, 2009 follows:

Year ending June 30,	Business-type activities	
	Principal	Interest
2010	\$ 31,000	\$ 76,489
2011	33,000	75,128
2012	34,000	73,715
2013	36,000	72,241
2014	37,000	70,696
2015-2019	210,000	327,984
2020-2024	263,000	277,662
2025-2029	330,000	212,192
2030-2034	419,000	127,063
2035-2038	307,000	23,552
	<u>\$ 1,700,000</u>	<u>\$ 1,336,722</u>

NOTE H—DESIGNATED FUND BALANCE

Unreserved fund balances designated for specific purposes as of June 30, 2009 were as follows:

General Fund	
Designated for parking lot improvements	\$ 15,000
Designated for park improvements	60,000
Designated for equipment replacement	25,000
Designated for building/library improvements	25,000
Designated for cemetery improvements	30,000
Designated for fire department/community center	450,000
Designated for fire vehicles and equipment	30,000
Designated for other capital expenditures	450,000
	<u>\$ 1,085,000</u>
Sewer Fund	
Designated for future capital expenditures	\$ 500,000

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE I—OTHER INFORMATION

Risk Management

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

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

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.

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE I—OTHER INFORMATION—Continued

Post-Retirement Health Care

The Township has agreed to provide post-retirement health care to certain employees after they retire.

As of year end, there were 6 retired employees receiving benefits. The Township finances the Plan on a pay-as-you-go basis. For the year ended June 30, 2009, the Township's post-retirement health care cost under the Plan was approximately \$46,500.

In June 2004, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45), was issued. The new statement establishes new requirements for local units of government in recognizing the cost of retiree health care and other postemployment benefits (other than pensions). GASB 45 will required government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time that the health care coverage premiums are paid. The new pronouncement is effective for the Township for the year ended June 30, 2010.

Commitment

The Township has a contract for the purchase of a fire tanker as of June 30, 2009 of \$312,454. The cost of the tanker is being funded with available fund balance.

NOTE J—PENSION PLANS

Defined Contribution Plan

The Township maintains a defined contribution retirement plan with John Hancock Funds, Inc. that covers all employees except volunteer firemen and seasonal employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township contributes 15 percent of the employees' gross earnings. Participants are not required to contribute to the plan. The Township contributed \$103,154 during the year ended June 30, 2009.

NOTE K—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 54 percent of General Fund revenues.

REQUIRED SUPPLEMENTARY INFORMATION

Egelston Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2009

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 310,141	\$ 313,634	\$ 312,937	\$ (697)
Licenses and permits	113,800	146,372	122,082	(24,290)
Intergovernmental revenue - State	716,416	716,416	706,481	(9,935)
Charges for services	25,000	34,150	35,176	1,026
Investment earnings	33,000	33,000	37,955	4,955
Other	76,493	96,253	87,230	(9,023)
Total revenues	1,274,850	1,339,825	1,301,861	(37,964)
EXPENDITURES				
Current				
General government				
Township board	19,510	19,510	18,885	625
Supervisor	44,800	44,800	42,230	2,570
Elections	12,500	15,400	15,120	280
Board of review	4,150	4,150	2,964	1,186
Clerk	86,733	88,333	85,914	2,419
Treasurer	87,533	87,533	73,931	13,602
Assessor	57,615	57,615	57,123	492
Township hall	69,217	78,633	64,961	13,672
Board of appeals	4,000	4,000	1,202	2,798
Cemetery	27,672	27,572	28,815	(1,243)
Professional services	32,000	32,000	27,606	4,394
Office clerk	36,897	35,098	22,800	12,298
Maintenance	137,778	145,063	128,432	16,631
Public safety				
Inspection department	158,348	151,782	123,592	28,190
Public works				
Landfill	18,695	18,695	8,486	10,209
Roads	1,000	1,000	983	17
Community and economic development				
Planning	15,000	15,000	8,193	6,807
Culture and recreation				
Recreation programs and park maintenance	50,750	55,350	47,172	8,178
Library	11,135	11,135	11,013	122
Other governmental functions				
Payroll benefits	338,528	340,327	319,225	21,102
Insurance	46,300	46,300	44,780	1,520
Other	37,406	37,406	20,905	16,501
Capital outlay	157,450	155,728	59,884	95,844
Total expenditures	1,455,017	1,472,430	1,214,216	258,214
Excess of revenues over (under) expenditures	(180,167)	(132,605)	87,645	220,250
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	2,051	2,051	-
Transfers out	(57,085)	(57,085)	-	57,085
Total other financing sources (uses)	(57,085)	(55,034)	2,051	57,085
Net change in fund balance	\$ (237,252)	\$ (187,639)	89,696	\$ 277,335
Fund balance at July 1, 2008			1,917,646	
Fund balance at June 30, 2009			\$ 2,007,342	

Egelston Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Fire Fund
For the year ended June 30, 2009

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		(negative)
REVENUES				
Property taxes	\$ 547,576	\$ 550,742	\$ 549,869	\$ (873)
Charges for services	18,075	18,075	17,657	(418)
Other	2,650	12,189	10,734	(1,455)
Total revenues	568,301	581,006	578,260	(2,746)
EXPENDITURES				
Current				
Public safety	619,991	619,991	552,637	67,354
Capital outlay	5,395	5,395	-	5,395
Total expenditures	625,386	625,386	552,637	72,749
Excess of revenues over (under) expenditures	(57,085)	(44,380)	25,623	70,003
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	-	5,600	5,600
Transfers in	57,085	57,085	-	(57,085)
Total other financing sources	57,085	57,085	5,600	(51,485)
Net change in fund balance	\$ -	\$ 12,705	31,223	\$ 18,518
Fund balance at July 1, 2008			79,855	
Fund balance at June 30, 2009			\$ 111,078	

Egelston Township
 Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
 Street Light Fund
 For the year ended June 30, 2009

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 94,569	\$ 95,605	\$ 95,693	\$ 88
Investment earnings	7,200	7,200	4,191	(3,009)
Total revenues	101,769	102,805	99,884	(2,921)
EXPENDITURES				
Current				
Public works	102,000	124,350	120,919	3,431
Net change in fund balance	\$ (231)	\$ (21,545)	(21,035)	\$ 510
Fund balance at July 1, 2008			278,246	
Fund balance at June 30, 2009			\$ 257,211	

OTHER SUPPLEMENTAL INFORMATION

Egelston Township
COMBINING BALANCE SHEET
 Other Governmental Funds
 June 30, 2009

	Total other governmental funds	Special Revenue	
		Festival	Water Alliance
ASSETS			
Cash and investments	\$ <u>26,863</u>	\$ <u>20,951</u>	\$ <u>5,912</u>
 FUND BALANCES			
Unreserved	<u>26,863</u>	<u>20,951</u>	<u>5,912</u>
Total fund balances	\$ <u><u>26,863</u></u>	\$ <u><u>20,951</u></u>	\$ <u><u>5,912</u></u>

Egelston Township
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
Other Governmental Funds
For the year ended June 30, 2009

	Total other governmental funds	Special Revenue	
		Festival	Water Alliance
REVENUES			
Investment earnings	\$ 305	\$ 305	\$ -
EXPENDITURES			
Current			
Culture and recreation	226	226	-
Net change in fund balances	79	79	-
Fund balances at July 1, 2008	26,784	20,872	5,912
Fund balances at June 30, 2009	\$ 26,863	\$ 20,951	\$ 5,912

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

November 9, 2009

Township Board
Egelston Township
Muskegon, Michigan

In planning and performing our audit of the financial statements of Egelston Township as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Egelston Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

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

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the attached deficiencies, identified as material weaknesses, constitutes material weaknesses.

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

Brickley De Long, P.C.

SIGNIFICANT DEFICIENCIES

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

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

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

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

November 9, 2009

To the Township Board
Egelston Township

We have audited the financial statements of Egelston Township for the year ended June 30, 2009, and have issued our report thereon dated November 9, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 17, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As previously communicated to you:

1. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.
2. As part of our audit, we considered the internal control of Egelston Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
3. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 29, 2009 and September 23, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Egelston Township are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2008/2009. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

BRICKLEY DELONG

Township Board
Egelston Township
November 9, 2009
Page 2

Significant Audit Findings—Continued

Qualitative Aspects of Accounting Practices—Continued

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

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

The disclosures in the financial statements are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 9, 2009.

BRICKLEY DELONG

Township Board
Egelston Township
November 9, 2009
Page 3

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

Sincerely,

Brickley De Long, P.C.