

Egelston Township
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2012

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, 2012. 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, 2012, the Township's net assets from governmental activities totaled \$3,289,706 (48%) and \$3,557,018 (52%) from business-type activities, creating a total government-wide net assets total of \$6,846,724.

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 \$1,724,259. This represents the amount of discretionary resources that can be used for general governmental operations.

The business-type activities show a total of \$3,557,018 in net assets and \$1,705,016 in unrestricted net assets.

Capital assets increased by approximately \$156,000 due to the purchase of land and grant-funded equipment in the fire department. Noncurrent liabilities increased by approximately \$155,000 as the Township recorded a liability for its unfunded annual required contribution for other postemployment benefits in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Current assets for business-type activities increased by approximately \$186,000 due to a sewer rate increase and no significant capital asset purchases. Capital assets for the business-type activities decreased by approximately \$147,000 because depreciation exceeded current year capital asset additions.

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current assets and other assets	\$ 2,472,411	\$ 2,456,253	\$ 1,782,973	\$ 1,597,146	\$ 4,255,384	\$ 4,053,399
Capital assets	1,398,457	1,242,815	3,443,124	3,589,727	4,841,581	4,832,542
Total assets	3,870,868	3,699,068	5,226,097	5,186,873	9,096,965	8,885,941
Current liabilities	130,063	137,166	113,957	104,669	244,020	241,835
Noncurrent liabilities	451,099	295,627	1,555,122	1,590,261	2,006,221	1,885,888
Total liabilities	581,162	432,793	1,669,079	1,694,930	2,250,241	2,127,723
Net assets						
Invested in capital assets, net of related debt	1,398,457	1,242,815	1,852,002	1,965,467	3,250,459	3,208,282
Restricted	166,990	213,928	-	-	166,990	213,928
Unrestricted	1,724,259	1,809,532	1,705,016	1,526,476	3,429,275	3,336,008
Total net assets	\$ 3,289,706	\$ 3,266,275	\$ 3,557,018	\$ 3,491,943	\$ 6,846,724	\$ 6,758,218

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			
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues						
Charges for services	\$ 254,041	\$ 209,243	\$ 671,740	\$ 547,699	\$ 925,781	\$ 756,942
Operating grants and contributions	203,638	3,305	-	-	203,638	3,305
Capital grants and contributions	294,685	20,735	105,788	9,750	400,473	30,485
General revenues						
Property taxes	921,203	982,550	-	-	921,203	982,550
Franchise fees	83,457	81,999	-	-	83,457	81,999
Grants and contributions not restricted	726,853	668,511	-	-	726,853	668,511
Unrestricted investment earnings	16,187	18,347	14,071	18,356	30,258	36,703
Miscellaneous	47,614	22,944	-	-	47,614	22,944
Gain on sale of capital assets	5,000	4,568	-	10,153	5,000	14,721
Total revenues	<u>2,552,678</u>	<u>2,012,202</u>	<u>791,599</u>	<u>585,958</u>	<u>3,344,277</u>	<u>2,598,160</u>
Expenses:						
General government	830,568	839,126	-	-	830,568	839,126
Public safety	1,237,564	1,015,380	-	-	1,237,564	1,015,380
Public works	171,612	154,206	-	-	171,612	154,206
Community and economic development	209,545	5,633	-	-	209,545	5,633
Culture and recreation	79,958	68,933	-	-	79,958	68,933
Sewer	-	-	726,524	678,719	726,524	678,719
Total expenses	<u>2,529,247</u>	<u>2,083,278</u>	<u>726,524</u>	<u>678,719</u>	<u>3,255,771</u>	<u>2,761,997</u>
Change in net assets	23,431	(71,076)	65,075	(92,761)	88,506	(163,837)
Net assets - Beginning	<u>3,266,275</u>	<u>3,337,351</u>	<u>3,491,943</u>	<u>3,584,704</u>	<u>6,758,218</u>	<u>6,922,055</u>
Net assets - Ending	<u>\$ 3,289,706</u>	<u>\$ 3,266,275</u>	<u>\$ 3,557,018</u>	<u>\$ 3,491,943</u>	<u>\$ 6,846,724</u>	<u>\$ 6,758,218</u>

For the year ended June 30, 2012, net assets increased by \$23,431 and \$65,075 in governmental activities and business-type activities, respectively. This resulted in an overall increase of \$88,506 government wide.

Governmental Activities

Charges for services increased by approximately \$45,000 due to more permit activity, more cemetery activity, and revenues generated from the return of the Township festival. Operating grants and contributions and community and economic development expenses increased by approximately \$200,000 as the Township has acted as a pass-through entity for a Community Development Block Grant with a local company. Capital grants and contributions increased by approximately \$274,000 as the Township received a Homeland Security grant for the fire department to purchase equipment. Property taxes decreased by approximately \$61,000 due to declining taxable values. Grants and contributions not restricted increased by approximately \$58,000 due to higher constitutional revenue sharing and a census adjustment. Public safety expenses increased by approximately \$222,000 due to purchases of non-capital items with the Homeland Security grant.

Business-type Activities

Charges for services increased by approximately \$124,000 due to a 22% rate increase at the beginning of the year. Capital grants and contributions increased by \$96,000 due to a couple of large connections to the Township's sewer system. Sewer Fund expenses increased approximately \$48,000 due to higher charges by the County for sewer treatment.

Financial Analysis of the Government's Funds

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

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

At June 30, 2012, the governmental funds reported a combined unassigned fund balance of \$1,134,407, all of which is in the General Fund. The remainder of the fund balance is nonspendable as it has been spent on prepaid items for the following year or is restricted for fire protection, street lights, or the Township festival. The Township has also committed \$947,812 for various capital improvements and other anticipated projects. \$107,061 is assigned for next fiscal year as the Township has budgeted the use of fund balance in its fiscal 2012/2013 budget.

The General Fund is the chief operating fund of the Township. At June 30, 2012, the General Fund fund balance was \$2,206,788, an increase of \$64,531. 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 81% of the General Fund expenditures.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net assets of the Sewer Fund increased by \$65,075.

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 by \$35,459 as building permits were higher than expected.
- The intergovernmental revenues – Federal budget was increased by \$198,550 as was the economic development expenditures grant because a local company received a Community Development Block Grant for which the Township acted as a pass-through entity.
- The intergovernmental revenues – State budget was increased by \$56,579 due to higher than anticipated revenue sharing
- The other revenues budget was increased by \$32,225 due to timber sales and insurance reimbursements.
- The capital outlay budget was increased by \$131,487 as the Township purchased a piece of land for a possible location for a new fire station.

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

- Intergovernmental revenues – State were under the final budget by \$44,670 and capital outlay expenditures were under budget by \$101,802 as improvements to Sunset Beach that are to be partially funded by a State grant were delayed to the following year.
- Transfers out were under the final budget by \$117,532 as the Fire Fund spent less than budgeted and therefore only required a small operating subsidy from the General Fund.

Capital Assets Administration

The Township's investment in capital assets for its governmental and business-type activities as of June 30, 2012 totaled \$4,841,581 (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 land, grant-funded equipment in the fire department, a new copier, and preliminary work on Sunset Beach improvements and a new fire station.

Capital Assets (Net of Accumulated Depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Land	\$ 355,707	\$ 229,710	\$ 7,934	\$ 7,934	\$ 363,641	\$ 237,644
Construction in progress	29,019	4,632	-	-	29,019	4,632
Land improvements	164,850	183,144	-	-	164,850	183,144
Buildings and improvements	307,594	330,240	10,471	10,936	318,065	341,176
Utility systems	-	-	1,976,669	2,045,794	1,976,669	2,045,794
Equipment	170,700	89,406	41,694	54,170	212,394	143,576
Office equipment	7,065	-	-	-	7,065	-
Vehicles	363,522	405,683	13,084	16,417	376,606	422,100
Access rights	-	-	1,393,272	1,454,476	1,393,272	1,454,476
Total	\$ 1,398,457	\$ 1,242,815	\$ 3,443,124	\$ 3,589,727	\$ 4,841,581	\$ 4,832,542

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

Egelston Township

Management's Discussion and Analysis

Long-Term Debt

At June 30, 2012, the Township had total outstanding debt of \$2,077,051 consisting of general obligation bonds, compensated absences, and other postemployment benefits.

Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
General obligations bonds	\$ -	\$ -	\$ 1,591,122	\$ 1,624,261	\$ 1,591,122	\$ 1,624,261
Compensated absences	31,430	37,098	3,400	2,629	34,830	39,727
Other postemployment benefits	451,099	295,627	-	-	451,099	295,627
Total	\$ 482,529	\$ 332,725	\$ 1,594,522	\$ 1,626,890	\$ 2,077,051	\$ 1,959,615

The Township's total debt increased by \$117,436 during the fiscal year. The increase came as a result of the Township recording a liability for its unfunded annual required contribution for other postemployment benefits.

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

General Economic Overview

The Township's General Fund has two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprise over 66% of the General Fund revenue sources. In fiscal year 2013, the Township budgeted for property taxes to decline slightly due to a decrease in taxable value and for state revenue sharing to increase slightly with the total revenue generated by the two sources to remain about the same. The Township is also working towards opening new areas in the Township cemetery which could bring in additional revenue.

The Township is expecting operating expenditures to increase by the rate of inflation in the coming year in the General Fund. The only significant capital project budgeted in the General Fund is the completion of Sunset Beach improvements. The Township is expecting the cost to complete the project to be approximately \$110,000 with approximately \$82,100 of the project paid for with a State of Michigan grant. As part of its budget, the Township has appropriated approximately \$169,000 to transfer to the Fire Fund to support fire operations.

In the Fire Fund, operations are expected to be similar to last year except as noted below. The Township has received a Homeland Security grant which will enable it to purchase approximately \$50,000 of equipment and supplies in the upcoming fiscal year. The Township has also received a Staffing for Adequate Fire and Emergency Response grant of approximately \$128,000 which will support training costs over the next two years.

The Township electorate approved a millage to support the construction of a new fire station at a cost of approximately \$2.3 million. The Township is working towards completing plans to enable it to begin construction in the upcoming 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.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

September 27, 2012

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, 2012, 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages i through vii and 30 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BRICKLEY DELONG

Egelston Township
September 27, 2012
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Egelston Township's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Brickley De Long, P.C.

Egelston Township
STATEMENT OF NET ASSETS
June 30, 2012

ASSETS

	Governmental activities	Business-type activities	Total
CURRENT ASSETS			
Cash and investments	\$ 2,113,799	\$ 1,412,850	\$ 3,526,649
Receivables	28,858	255,292	284,150
Due from other governmental units	290,604	-	290,604
Prepaid items	39,150	3,056	42,206
Total current assets	2,472,411	1,671,198	4,143,609
NONCURRENT ASSETS			
Capital assets, net			
Nondepreciable	384,726	7,934	392,660
Depreciable	1,013,731	3,435,190	4,448,921
Bond issue costs, net	-	12,054	12,054
Special assessments receivable	-	99,721	99,721
Total noncurrent assets	1,398,457	3,554,899	4,953,356
Total assets	3,870,868	5,226,097	9,096,965
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	96,006	24,309	120,315
Due to other governmental units	1,372	50,248	51,620
Deferred revenue	1,255	-	1,255
Bonds and other obligations, due within one year	31,430	39,400	70,830
Total current liabilities	130,063	113,957	244,020
NONCURRENT LIABILITIES			
Bonds and other obligations, less amounts due within one year	451,099	1,555,122	2,006,221
Total liabilities	581,162	1,669,079	2,250,241
NET ASSETS			
Invested in capital assets, net of related debt	1,398,457	1,852,002	3,250,459
Restricted for:			
Fire operations	25,090	-	25,090
Street lights	116,443	-	116,443
Festival	25,457	-	25,457
Unrestricted	1,724,259	1,705,016	3,429,275
Total net assets	\$ 3,289,706	\$ 3,557,018	\$ 6,846,724

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF ACTIVITIES
For the year ended June 30, 2012

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Governmental activities							
General government	\$ 830,568	\$ 58,761	\$ 2,497	\$ -	\$ (769,310)	\$ -	\$ (769,310)
Public safety	1,237,564	128,304	-	294,685	(814,575)	-	(814,575)
Public works	171,612	-	2,391	-	(169,221)	-	(169,221)
Community and economic development	209,545	-	198,550	-	(10,995)	-	(10,995)
Culture and recreation	79,958	66,976	200	-	(12,782)	-	(12,782)
Total governmental activities	2,529,247	254,041	203,638	294,685	(1,776,883)	-	(1,776,883)
Business-type activities							
Sewer	726,524	671,740	-	105,788	-	51,004	51,004
Total government	\$ 3,255,771	\$ 925,781	\$ 203,638	\$ 400,473	(1,776,883)	51,004	(1,725,879)
General revenues							
Property taxes, levied for							
General purposes					293,288	-	293,288
Specific purposes					627,915	-	627,915
Franchise fees					83,457	-	83,457
Grants and contributions not restricted to specific programs					726,853	-	726,853
Unrestricted investment earnings					16,187	14,071	30,258
Miscellaneous					47,614	-	47,614
Gain on sale of capital assets					5,000	-	5,000
Total general revenues					1,800,314	14,071	1,814,385
Change in net assets					23,431	65,075	88,506
Net assets at July 1, 2011					3,266,275	3,491,943	6,758,218
Net assets at June 30, 2012					\$ 3,289,706	\$ 3,557,018	\$ 6,846,724

The accompanying notes are an integral part of this statement.

Egelston Township
BALANCE SHEET
 Governmental Funds
 June 30, 2012

	General Fund	Fire Fund	Street Light Fund	Other governmental funds	Total governmental funds
ASSETS					
Cash and investments	\$ 1,960,264	\$ -	\$ 127,375	\$ 26,160	\$ 2,113,799
Accounts receivable	25,471	3,080	307	-	28,858
Due from other governmental units	238,315	52,289	-	-	290,604
Due from other funds	21,583	-	-	4,989	26,572
Prepaid items	17,508	21,090	-	552	39,150
Total assets	\$ 2,263,141	\$ 76,459	\$ 127,682	\$ 31,701	\$ 2,498,983
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 22,399	\$ 7,550	\$ 11,239	\$ 4,989	\$ 46,177
Accrued liabilities	27,818	22,011	-	-	49,829
Due to other governmental units	1,147	225	-	-	1,372
Due to other funds	4,989	21,583	-	-	26,572
Deferred revenue	-	-	-	1,255	1,255
Total liabilities	56,353	51,369	11,239	6,244	125,205
Fund balances					
Nonspendable - prepaid items	17,508	21,090	-	552	39,150
Restricted for:					
Fire protection	-	4,000	-	-	4,000
Street lights	-	-	116,443	-	116,443
Festival	-	-	-	24,905	24,905
Committed for:					
Fire department and community center improvements	300,873	-	-	-	300,873
Park improvements	60,000	-	-	-	60,000
Townhall parking lot improvements	45,000	-	-	-	45,000
Cemetery expansion and improvements	30,000	-	-	-	30,000
Townhall and library capital improvements	42,805	-	-	-	42,805
Vehicle replacement	19,134	-	-	-	19,134
Other capital improvements	450,000	-	-	-	450,000
Assigned for fiscal year 2013 budget	107,061	-	-	-	107,061
Unassigned	1,134,407	-	-	-	1,134,407
Total fund balances	2,206,788	25,090	116,443	25,457	2,373,778
Total liabilities and fund balances	\$ 2,263,141	\$ 76,459	\$ 127,682	\$ 31,701	\$ 2,498,983

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, 2012

Total fund balance—governmental funds		\$ 2,373,778
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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	\$ 3,179,179	
Accumulated depreciation	<u>(1,780,722)</u>	1,398,457

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	(31,430)	
Other postemployment benefits	<u>(451,099)</u>	<u>(482,529)</u>

Net assets of governmental activities in the Statement of Net Assets		<u>\$ 3,289,706</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, 2012

	General Fund	Fire Fund	Street Light Fund	Other governmental funds	Total governmental funds
REVENUES					
Property taxes	\$ 293,288	\$ 538,235	\$ 89,680	\$ -	\$ 921,203
Licenses and permits	156,882	-	-	-	156,882
Intergovernmental revenues					
Federal	198,550	294,685	-	-	493,235
State	729,244	-	-	-	729,244
Charges for services	46,317	53,646	-	-	99,963
Investment earnings	15,649	-	464	74	16,187
Other	103,831	13,839	-	13,293	130,963
Total revenues	<u>1,543,761</u>	<u>900,405</u>	<u>90,144</u>	<u>13,367</u>	<u>2,547,677</u>
EXPENDITURES					
Current					
General government	552,938	-	-	-	552,938
Public safety	84,775	861,276	-	-	946,051
Public works	6,148	-	144,764	-	150,912
Community and economic development	207,429	-	-	-	207,429
Culture and recreation	53,827	-	-	8,319	62,146
Other governmental functions	352,565	-	-	-	352,565
Capital outlay	146,985	105,222	-	10,836	263,043
Total expenditures	<u>1,404,667</u>	<u>966,498</u>	<u>144,764</u>	<u>19,155</u>	<u>2,535,084</u>
Excess of revenues over (under) expenditures	139,094	(66,093)	(54,620)	(5,788)	12,593
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	-	5,000	-	-	5,000
Transfers in	-	63,727	-	10,836	74,563
Transfers out	(74,563)	-	-	-	(74,563)
Total other financing sources (uses)	<u>(74,563)</u>	<u>68,727</u>	<u>-</u>	<u>10,836</u>	<u>5,000</u>
Net change in fund balances	64,531	2,634	(54,620)	5,048	17,593
Fund balances at July 1, 2011	2,142,257	22,456	171,063	20,409	2,356,185
Fund balances at June 30, 2012	<u>\$ 2,206,788</u>	<u>\$ 25,090</u>	<u>\$ 116,443</u>	<u>\$ 25,457</u>	<u>\$ 2,373,778</u>

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, 2012

Net change in fund balances—total governmental funds \$ 17,593

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

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

Depreciation expense	\$ (107,401)	
Capital outlay	<u>263,043</u>	155,642

Compensated absences and other postemployment benefits are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.

(149,804)

Change in net assets of governmental activities

\$ 23,431

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF NET ASSETS
 Proprietary Fund
 June 30, 2012

ASSETS

	<u>Business-type Activities - Enterprise Fund Sewer</u>
CURRENT ASSETS	
Cash and investments	\$ 1,412,850
Receivables	
Accounts	230,392
Special assessments	24,900
Prepaid items	<u>3,056</u>
Total current assets	1,671,198
NONCURRENT ASSETS	
Capital assets	
Land	7,934
Buildings	18,613
Utility system	9,296,139
Equipment	206,321
Vehicles	34,788
Access rights	1,674,280
Less accumulated depreciation and amortization	<u>(7,794,951)</u>
Net capital assets	3,443,124
Bond issuance costs, net	12,054
Special assessments receivable	<u>99,721</u>
Total noncurrent assets	<u>3,554,899</u>
Total assets	5,226,097
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	4,197
Accrued liabilities	20,112
Due to other governmental units	50,248
Bonds and other obligations, due within one year	<u>39,400</u>
Total current liabilities	113,957
NONCURRENT LIABILITIES	
Bonds and other obligations, less amounts due within one year	<u>1,555,122</u>
Total liabilities	1,669,079
NET ASSETS	
Invested in capital assets, net of related debt	1,852,002
Unrestricted	<u>1,705,016</u>
Total net assets	<u>\$ 3,557,018</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, 2012

	Business-type Activities - Enterprise Fund Sewer
REVENUES	
Charges for services	\$ 671,740
OPERATING EXPENSES	
Administration	28,881
Operations	468,273
Depreciation and amortization	155,576
Total operating expenses	652,730
Operating income	19,010
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	14,071
Connection fees	105,788
Interest expense	(73,794)
Total nonoperating revenues (expenses)	46,065
Change in net assets	65,075
Net assets at July 1, 2011	3,491,943
Net assets at June 30, 2012	\$ 3,557,018

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF CASH FLOWS
Proprietary Fund
For the year ended June 30, 2012

	Business-type Activities - Enterprise fund Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 623,522
Receipts from interfund services provided	4,659
Payments to suppliers	(317,768)
Payments to employees	(172,547)
Net cash provided by operating activities	137,866
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Connection fees	136,184
Purchases of capital assets	(8,490)
Principal paid on capital debt	(33,868)
Interest paid on capital debt	(73,065)
Net cash provided by capital and related financing activities	20,761
CASH FLOW FROM INVESTING ACTIVITIES	
Investment earnings	14,071
Net increase in cash and investments	172,698
Cash and investments July 1, 2011	1,240,152
Cash and investments at June 30, 2012	\$ 1,412,850
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 19,010
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization expense	155,576
Change in assets and liabilities	
Receivables, net	(43,559)
Prepaid items	(449)
Accounts payable	(40)
Accrued liabilities	595
Due to other governmental units	6,733
Net cash provided by operating activities	\$ 137,866

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
June 30, 2012

	<u>Agency funds</u>
ASSETS	
Cash and investments	\$ 2,052
Receivables	2,499
Total assets	<u><u>\$ 4,551</u></u>
 LIABILITIES	
Due to other governmental units	\$ 3,589
Other liabilities	962
Total liabilities	<u><u>\$ 4,551</u></u>

The accompanying notes are an integral part of this statement.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

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

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

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

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

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

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

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

Receivables and Payables

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Receivables and Payables—Continued

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

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

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

The 2011 state taxable value for real/personal property of the Township totaled approximately \$177,000,000. The ad valorem taxes levied consisted of 1.1803, 3.0 and 0.5 mills for the Township's general operations, fire department operations, and street lights, respectively. These amounts are recognized respectively in the General Fund, Fire Fund, and Street Light Fund.

Prepaid Items

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

Capital Assets

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

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

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Capital Assets—Continued

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

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

Compensated Absences

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

Long-Term Obligations

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

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Fund Equity

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

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

Use of Estimates

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

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

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

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2012, 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	\$ 274,088	37	AAA	100 %

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, 2012, \$1,654,285 of the Township's bank balance of \$3,268,084 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, 2012

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 229,710	\$ 125,997	\$ -	\$ 355,707
Construction in progress	4,632	24,387	-	29,019
Total capital assets, not being depreciated	234,342	150,384	-	384,726
Capital assets, being depreciated:				
Land improvements	340,109	-	-	340,109
Buildings and improvements	877,910	-	-	877,910
Equipment	267,906	105,222	-	373,128
Office equipment	47,747	7,437	-	55,184
Vehicles	1,148,122	-	-	1,148,122
Total capital assets, being depreciated	2,681,794	112,659	-	2,794,453
Less accumulated depreciation:				
Land improvements	156,965	18,294	-	175,259
Buildings and improvements	547,670	22,646	-	570,316
Equipment	178,500	23,928	-	202,428
Office equipment	47,747	372	-	48,119
Vehicles	742,439	42,161	-	784,600
Total accumulated depreciation	1,673,321	107,401	-	1,780,722
Total capital assets, being depreciated, net	1,008,473	5,258	-	1,013,731
Capital assets, net	\$ 1,242,815	\$ 155,642	\$ -	\$ 1,398,457

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE D—CAPITAL ASSETS—Continued

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 7,934	\$ -	\$ -	\$ 7,934
 Capital assets, being depreciated:				
Buildings and improvements	18,613	-	-	18,613
Utility systems	9,287,649	8,490	-	9,296,139
Equipment	206,321	-	-	206,321
Vehicles	34,788	-	-	34,788
Access rights	1,674,280	-	-	1,674,280
Total capital assets, being depreciated	11,221,651	8,490	-	11,230,141
 Less accumulated depreciation:				
Buildings and improvements	7,677	465	-	8,142
Utility systems	7,241,855	77,615	-	7,319,470
Equipment	152,151	12,476	-	164,627
Vehicles	18,371	3,333	-	21,704
Access rights	219,804	61,204	-	281,008
Total accumulated depreciation	7,639,858	155,093	-	7,794,951
Total capital assets, being depreciated, net	3,581,793	(146,603)	-	3,435,190
Capital assets, net	\$ 3,589,727	\$ (146,603)	\$ -	\$ 3,443,124

Depreciation expense has been charged to functions as follows:

Governmental activities:	
General government	\$ 29,315
Public safety	42,617
Public works	20,343
Culture and recreation	15,126
	\$ 107,401
 Business-type activities:	
Sewer	\$ 155,093

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE E—BOND ISSUANCE COSTS

Bond issuance cost activity for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Business-type activities:				
Bond issuance costs	\$ 14,952	\$ -	\$ -	\$ 14,952
Less accumulated amortization	2,415	483	-	2,898
Bond issuance costs, net	\$ 12,537	\$ (483)	\$ -	\$ 12,054

Amortization

Amortization expense has been charged to sewer.

NOTE F—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2012 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Fire Fund	\$ 25,256
Other governmental funds	General Fund	4,989
		\$ 30,245

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

Interfund transfers:

The composition of interfund transfers as of June 30, 2012 consisted of the General Fund transferring \$63,727 to the Fire Fund for operating purposes and \$10,836 to other governmental funds for capital purposes.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

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, 2012.

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due within one year
Governmental activities:					
Compensated absences	\$ 37,098	\$ 59,414	\$ 65,082	\$ 31,430	\$ 31,430
Other postemployment benefits	295,627	189,023	33,551	451,099	-
Governmental activity long-term liabilities	\$ 332,725	\$ 248,437	\$ 98,633	\$ 482,529	\$ 31,430
Business-type activities:					
General obligations bond	\$ 1,624,261	\$ -	\$ 33,139	\$ 1,591,122	\$ 36,000
Compensated absences	2,629	12,377	11,606	3,400	3,400
Business-type activity long-term liabilities	\$ 1,626,890	\$ 12,377	\$ 44,745	\$ 1,594,522	\$ 39,400

Business-type activities:

General obligation bonds:

\$1,700,000 Muskegon County Wastewater Management - Number One Bond of 2006 due in annual installments of approximately \$36,000 to \$108,000 through November 2036; interest at rates varying from 4.25% to 5%

\$ 1,602,114

Less bond discount

(10,992)

1,591,122

Compensated absences

3,400

\$ 1,594,522

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, 2012 was approximately \$486,500. The Township is unaware of any circumstances that would cause a shortfall in the near future.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE G—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

The Township was in compliance in all material respects with all bond ordinances at June 30, 2012.

Annual debt service requirements to maturity for debt outstanding as of June 30, 2012 follow:

<u>Year ending</u> <u>June 30,</u>	<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 36,000	\$ 72,241
2014	37,000	70,696
2015	38,000	69,090
2016	40,000	67,422
2017	42,000	65,676
2018-2022	241,000	299,286
2023-2027	301,000	240,468
2028-2032	380,000	163,847
2032-2037	487,114	62,664
	<u>\$ 1,602,114</u>	<u>\$ 1,111,390</u>

NOTE H—OTHER INFORMATION

Risk Management

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

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE H—OTHER INFORMATION—Continued

Risk Management—Continued

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

Contingent Liabilities

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

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.

NOTE I—PENSION PLAN

Defined Contribution Plan

The Township maintains a defined contribution retirement plan with John Hancock Funds, Inc. that covers all employees except volunteer firemen and seasonal employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township contributes 14 percent of the employees' gross earnings. Participants are not required to contribute to the plan. The Township contributed \$96,974 during the year ended June 30, 2012.

NOTE J—OTHER POST-EMPLOYMENT BENEFITS

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

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE J—OTHER POST-EMPLOYMENT BENEFITS—Continued

Funding Policy. Plan members are not required to contribute to the Plan. The contribution requirements of plan members and the Township are established and may be amended by the Township Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Township. For the year ended June 30, 2012, the Township contributed \$33,551 to the Retiree Healthcare Plan, of which \$18,551 were direct payments to retirees and \$15,000 were contributed to the trust, which is 17.7% of the annual required contribution.

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

Annual required contribution	\$	181,077
Interest on net OPEB obligation		20,694
Adjustment to annual required contribution		<u>(12,748)</u>
Net OPEB cost		189,023
Payments made to or on behalf of retirees		(18,551)
Contributions made to OPEB trust		<u>(15,000)</u>
Increase in net OPEB obligation		155,472
Net OPEB obligation at beginning of year		<u>295,627</u>
Net OPEB obligation at end of year	\$	<u>451,099</u>

Trend Information

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/10	\$ 181,077	17.7 %	\$ 149,006
6/30/11	185,082	20.8	295,627
6/30/12	189,023	17.7	451,099

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE J—OTHER POST-EMPLOYMENT BENEFITS—Continued

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

The following simplifying assumptions were made:

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

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

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

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE K—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 47 percent of General Fund revenues.

NOTE L—SUBSEQUENT EVENT

On July 2, 2012, the Township entered into contract for improvements to Sunset Beach Park at a cost of approximately \$110,000. This project will be paid with a grant for \$82,100 and available fund balance from the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

Egelston Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2012

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 290,615	\$ 294,378	\$ 293,288	\$ (1,090)
Licenses and permits	111,600	147,059	156,882	9,823
Intergovernmental revenue				
Federal	-	198,550	198,550	-
State	717,335	773,914	729,244	(44,670)
Charges for services	23,862	40,540	46,317	5,777
Investment earnings	14,550	14,550	15,649	1,099
Other	76,797	109,022	103,831	(5,191)
Total revenues	1,234,759	1,578,013	1,543,761	(34,252)
EXPENDITURES				
Current				
General government				
Township board	18,750	19,290	19,085	205
Supervisor	43,850	43,850	43,609	241
Elections	17,000	13,700	13,405	295
Board of review	3,200	3,200	2,433	767
Clerk	89,182	89,182	87,326	1,856
Treasurer	79,331	79,331	77,893	1,438
Assessor	55,240	55,240	55,140	100
Township hall	51,400	51,362	46,352	5,010
Cemetery	32,176	32,176	31,105	1,071
Professional services	18,000	23,900	22,942	958
Office clerk	30,144	31,910	31,532	378
Maintenance	128,218	132,276	122,116	10,160
Public safety				
Inspection department	88,484	92,614	84,775	7,839
Public works				
Landfill	3,645	6,149	6,148	1
Community and economic development				
Planning	4,700	8,735	7,616	1,119
Zoning board of appeals	1,250	1,725	1,263	462
Economic development	-	198,550	198,550	-
Culture and recreation				
Recreation programs and park maintenance	40,868	42,816	38,996	3,820
Library	15,665	16,165	14,831	1,334
Other governmental functions				
Payroll benefits	321,187	311,459	305,384	6,075
Insurance	36,000	29,779	26,899	2,880
Other	21,421	24,807	20,282	4,525
Capital outlay	117,300	248,787	146,985	101,802
Total expenditures	1,217,011	1,557,003	1,404,667	152,336
Excess of revenues over (under) expenditures	17,748	21,010	139,094	118,084
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	2,000	2,000	-	(2,000)
Transfers out	(160,203)	(192,095)	(74,563)	117,532
Total other financing sources (uses)	(158,203)	(190,095)	(74,563)	115,532
Net change in fund balance	<u>\$ (140,455)</u>	<u>\$ (169,085)</u>	64,531	<u>\$ 233,616</u>
Fund balance at July 1, 2011			2,142,257	
Fund balance at June 30, 2012			<u>\$ 2,206,788</u>	

Egelston Township
 Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
 Fire Fund
 For the year ended June 30, 2012

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 538,470	\$ 539,972	\$ 538,235	\$ (1,737)
Intergovernmental revenue - Federal	-	302,346	294,685	(7,661)
Charges for services	47,550	51,365	53,646	2,281
Other	100	13,656	13,839	183
Total revenues	586,120	907,339	900,405	(6,934)
EXPENDITURES				
Current				
Public safety	746,323	960,961	861,276	99,685
Capital outlay	-	113,287	105,222	8,065
Total expenditures	746,323	1,074,248	966,498	107,750
Excess of revenues over (under) expenditures	(160,203)	(166,909)	(66,093)	100,816
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	5,000	5,000	-
Transfers in	160,203	171,935	63,727	(108,208)
Total other financing sources	160,203	176,935	68,727	(108,208)
Net change in fund balance	\$ -	\$ 10,026	2,634	\$ (7,392)
Fund balance at July 1, 2011			22,456	
Fund balance at June 30, 2012			\$ 25,090	

Egelston Township
 Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
 Street Light Fund
 For the year ended June 30, 2012

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 89,828	\$ 89,828	\$ 89,680	\$ (148)
Investment earnings	500	500	464	(36)
Total revenues	90,328	90,328	90,144	(184)
EXPENDITURES				
Current				
Public works	155,300	155,300	144,764	10,536
Net change in fund balance	\$ (64,972)	\$ (64,972)	(54,620)	\$ 10,352
Fund balance at July 1, 2011			171,063	
Fund balance at June 30, 2012			\$ 116,443	

Egelston Township
 Required Supplementary Information
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS PLAN
 For the year ended June 30, 2012

(Dollar amounts in thousands)

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

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

OTHER SUPPLEMENTAL INFORMATION

Egelston Township
COMBINING BALANCE SHEET
 Other Governmental Funds
 June 30, 2012

	Total other governmental funds	Special Revenue Festival	Capital Projects Fire Station Construction
ASSETS			
Cash and investments	\$ 26,160	\$ 26,160	\$ -
Due from other funds	4,989	-	4,989
Prepaid items	552	552	-
Total assets	\$ 31,701	\$ 26,712	\$ 4,989
 FUND BALANCES			
Liabilities			
Accounts payable	\$ 4,989	\$ -	\$ 4,989
Deferred revenue	1,255	1,255	-
Total liabilities	6,244	1,255	4,989
 Fund balances			
Nonspendable for prepaid items	552	552	-
Restricted for festival	24,905	24,905	-
Total fund balances	25,457	25,457	-
Total liabilities and fund balances	\$ 31,701	\$ 26,712	\$ 4,989

Egelston Township
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Other Governmental Funds
 For the year ended June 30, 2012

	<u>Total other governmental funds</u>	<u>Special Revenue Festival</u>	<u>Capital Projects Fire Station Construction</u>
REVENUES			
Investment earnings	\$ 74	\$ 74	\$ -
Other	13,293	13,293	-
Total revenues	13,367	13,367	-
EXPENDITURES			
Current			
Culture and recreation	8,319	8,319	-
Capital outlay	10,836	-	10,836
Total expenditures	19,155	8,319	10,836
Excess of revenues over (under) expenditures	(5,788)	5,048	(10,836)
OTHER FINANCING SOURCES			
Transfers in	10,836	-	10,836
Net change in fund balances	5,048	5,048	-
Fund balances at July 1, 2011	20,409	20,409	-
Fund balances at June 30, 2012	<u>\$ 25,457</u>	<u>\$ 25,457</u>	<u>\$ -</u>