

Egelston Township
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

June 30, 2021



Egelston Township

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INDEPENDENT AUDITOR'S REPORT

Township Board
Egelston Township
Muskegon, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Egelston Township, Michigan as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As described in Note M to the financial statement, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison schedules, and other post-employment benefit information on pages 4 through 11 and 43 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2021, on our consideration of Egelston Township, Michigan’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Egelston Township, Michigan’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Egelston Township, Michigan’s internal control over financial reporting and compliance.

Handwritten signature of Brickley DeLong, P.C. in cursive script.

Muskegon, Michigan
December 1, 2021

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, 2021. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

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

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net position for the Township. As stated earlier, the net position may be used as an indicator of a government's financial health. As of June 30, 2021, the Township's net position from governmental activities totaled \$4,955,013 (67%) and \$2,425,033 (33%) from business-type activities, creating a total government-wide net position total of \$7,380,046.

In examining the composition of net position, the reader should note that governmental activities include net position that is invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Certain other governmental net position is shown as restricted, meaning that it is subject to external restrictions on how it may be used. The unrestricted net position for governmental activities actually depicts a balance of \$3,046,647. This represents the amount of discretionary resources that can be used for general governmental operations.

Egelston Township

Management's Discussion and Analysis

The business-type activities show a total of \$2,425,033 in net position, of which \$1,260,744 is unrestricted net position.

Current assets and other assets for governmental activities increased due to no significant capital purchases. Capital assets decreased due to current year depreciation expense exceeding capital asset additions. Current liabilities increased due to a payable for road work at year end. Noncurrent liabilities decreased due to debt payments made during the year.

Current assets and other assets for business-type activities decreased due to a reduction in current liabilities. Capital assets decreased due to current year depreciation expense exceeding capital asset additions. Current liabilities decreased due to lower wastewater treatment liabilities at year-end. Noncurrent liabilities decreased due to debt payments made during the year.

Net Position

| | Governmental | | Business-type | | Total | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Current assets and other assets | \$ 4,421,320 | \$ 3,765,638 | \$ 1,426,211 | \$ 1,682,945 | \$ 5,847,531 | \$ 5,448,583 |
| Capital assets | 3,403,790 | 3,635,548 | 2,387,396 | 2,472,218 | 5,791,186 | 6,107,766 |
| Total assets | 7,825,110 | 7,401,186 | 3,813,607 | 4,155,163 | 11,638,717 | 11,556,349 |
| Deferred outflows of resources | 21,139 | 43,918 | 2,883 | 5,989 | 24,022 | 49,907 |
| Total assets and deferred outflows of resources | 7,846,249 | 7,445,104 | 3,816,490 | 4,161,152 | 11,662,739 | 11,606,256 |
| Current liabilities | 380,654 | 229,451 | 128,652 | 390,898 | 509,306 | 620,349 |
| Noncurrent liabilities | 2,158,097 | 2,458,954 | 1,214,739 | 1,303,742 | 3,372,836 | 3,762,696 |
| Total liabilities | 2,538,751 | 2,688,405 | 1,343,391 | 1,694,640 | 3,882,142 | 4,383,045 |
| Deferred inflows of resources | 352,485 | 269,627 | 48,066 | 36,767 | 400,551 | 306,394 |
| Total liabilities and deferred inflows of resources | 2,891,236 | 2,958,032 | 1,391,457 | 1,731,407 | 4,282,693 | 4,689,439 |
| Net position | | | | | | |
| Net investment in capital assets | 1,471,414 | 1,633,172 | 1,161,210 | 1,190,509 | 2,632,624 | 2,823,681 |
| Restricted | 436,952 | 373,304 | 3,079 | 4,335 | 440,031 | 377,639 |
| Unrestricted | 3,046,647 | 2,480,596 | 1,260,744 | 1,234,901 | 4,307,391 | 3,715,497 |
| Total net position | \$ 4,955,013 | \$ 4,487,072 | \$ 2,425,033 | \$ 2,429,745 | \$ 7,380,046 | \$ 6,916,817 |

Egelston Township

Management's Discussion and Analysis

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

Change in Net Position

| | Governmental | | Business-type | | Total | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Activities | | Activities | | | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 418,437 | \$ 394,715 | \$ 961,519 | \$ 970,373 | \$ 1,379,956 | \$ 1,365,088 |
| Operating grants and contributions | 118,257 | 14,101 | - | - | 118,257 | 14,101 |
| Capital grants and contributions | 150 | - | 40,300 | 8,905 | 40,450 | 8,905 |
| General revenues | | | | | | |
| Property taxes | 1,203,180 | 1,162,195 | - | - | 1,203,180 | 1,162,195 |
| Franchise fees | 119,340 | 112,005 | - | - | 119,340 | 112,005 |
| Grants and contributions not restricted | 1,164,599 | 1,006,460 | - | - | 1,164,599 | 1,006,460 |
| Unrestricted investment earnings | 25,924 | 55,339 | 4,996 | 24,742 | 30,920 | 80,081 |
| Miscellaneous | 12,177 | 25,863 | - | - | 12,177 | 25,863 |
| Gain on sale of capital assets | 12,000 | 62,900 | - | - | 12,000 | 62,900 |
| Total revenues | 3,074,064 | 2,833,578 | 1,006,815 | 1,004,020 | 4,080,879 | 3,837,598 |
| Expenses: | | | | | | |
| General government | 815,465 | 795,638 | - | - | 815,465 | 795,638 |
| Public safety | 1,317,731 | 1,313,143 | - | - | 1,317,731 | 1,313,143 |
| Public works | 295,481 | 289,045 | - | - | 295,481 | 289,045 |
| Health, welfare and sanitation | 3,010 | 5,789 | - | - | 3,010 | 5,789 |
| Community and economic development | 6,980 | 6,992 | - | - | 6,980 | 6,992 |
| Culture and recreation | 101,271 | 82,824 | - | - | 101,271 | 82,824 |
| Interest on long term debt | 66,185 | 68,567 | - | - | 66,185 | 68,567 |
| Sewer | - | - | 1,011,527 | 1,668,430 | 1,011,527 | 1,668,430 |
| Total expenses | 2,606,123 | 2,561,998 | 1,011,527 | 1,668,430 | 3,617,650 | 4,230,428 |
| Change in net position | 467,941 | 271,580 | (4,712) | (664,410) | 463,229 | (392,830) |
| Net position - Beginning | 4,487,072 | 4,215,492 | 2,429,745 | 3,094,155 | 6,916,817 | 7,309,647 |
| Net position - Ending | \$ 4,955,013 | \$ 4,487,072 | \$ 2,425,033 | \$ 2,429,745 | \$ 7,380,046 | \$ 6,916,817 |

Governmental Activities

Operating grants and contributions increased by approximately \$104,000 due to various coronavirus relief grants. Property taxes increased by approximately \$24,000 due to higher taxable values in the current year. Grants and contributions not restricted increased by approximately \$158,000 due to additional State revenue sharing and personal property tax replacement funds. Gain on sale of capital assets decreased by approximately \$51,000 due to the sale of a fire truck in the prior year. Expenses were comparable to the prior year.

Business-type Activities

Capital grants and contributions increased by approximately \$31,000 due to additional hookups to the sewer system. Expenses decreased by approximately \$657,000 due to a significantly decrease in wastewater treatment costs resulting from less infiltration into the Township's sewer system.

Financial Analysis of the Government's Funds

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

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

At June 30, 2021, the governmental funds reported a combined unassigned fund balance of \$2,358,465, all of which is in the General Fund. The Township also has fund balance that is nonspendable as it has been spent on prepaid items for the following year or is restricted for debt service, fire protection, street lights, the Township festival, or employee health insurance. The Township has also committed \$1,045,737 for various capital improvements and other anticipated projects and assigned fund balance for the subsequent year's budget appropriations in the amount of \$259,382.

The General Fund is the chief operating fund of the Township. At June 30, 2021, the General Fund fund balance was \$3,690,060, an increase of \$430,419. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures and transfers. Unassigned fund balance represents 158 percent of the General Fund expenditures and transfers (133 percent in the prior year).

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the Sewer Fund decreased by \$4,712.

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 \$27,190 due to higher cable franchise fees and significant new house construction and commercial projects.
- The intergovernmental revenues – State budget was increased by \$57,302 due to additional State revenue sharing and personal property tax replacement monies.
- The intergovernmental revenues – Local budget was increased by \$24,078 due to County funding for senior resources.
- Charges for services revenues was increased by \$26,184 due to additional cemetery revenues.
- The transfers out budget was decreased by \$102,137 as the Township budgeted conservatively for the operating subsidy to the Fire Fund.

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

- Intergovernmental revenues – State were over the final budget by \$51,801 due to better than expected State revenue sharing.
- Intergovernmental revenues – Local were under the final budget by \$21,778 as not all senior resource funding was spent.
- Interest earnings revenues were under budget by \$32,183 due to lower interest rates.
- Roads expenditures were under the final budget by \$62,102 as less work was completed during the year than initially expected.
- Payroll benefits expenditures were under the final budget by \$35,891 as the Township's health insurance costs did not increase as much as expected.
- Capital outlay expenditures were under the final budget by \$83,300 as scheduled park projects were delayed.
- Transfers out were under the final budget by \$64,898 as the General Fund transferred only as much as was needed to the Fire Fund to prevent a fund deficit.

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, 2021 totaled \$5,791,186 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, office equipment, equipment, utility systems and vehicles.

Capital asset additions during the current year included new pumps and manhole rehabilitation in the Sewer Fund.

Capital Assets (Net of Accumulated Depreciation)

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land | \$ 233,707 | \$ 233,707 | \$ 7,934 | \$ 7,934 | \$ 241,641 | \$ 241,641 |
| Land improvements | 168,522 | 195,393 | - | - | 168,522 | 195,393 |
| Buildings and improvements | 2,080,003 | 2,148,198 | 6,283 | 6,748 | 2,086,286 | 2,154,946 |
| Utility systems | - | - | 1,455,916 | 1,445,746 | 1,455,916 | 1,445,746 |
| Equipment | 80,868 | 106,501 | 74,825 | 108,148 | 155,693 | 214,649 |
| Office equipment | 2,158 | 5,394 | - | - | 2,158 | 5,394 |
| Vehicles | 838,532 | 946,355 | - | - | 838,532 | 946,355 |
| Access rights | - | - | 842,438 | 903,642 | 842,438 | 903,642 |
| Total | \$ 3,403,790 | \$ 3,635,548 | \$ 2,387,396 | \$ 2,472,218 | \$ 5,791,186 | \$ 6,107,766 |

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

Long-Term Debt

At June 30, 2021, the Township had total outstanding debt of \$3,200,652 consisting of general obligation bonds and compensated absences.

Outstanding Debt

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| General obligations bonds | \$ 1,932,376 | \$ 2,002,376 | \$ 1,226,186 | \$ 1,281,709 | \$ 3,158,562 | \$ 3,284,085 |
| Compensated absences | 37,028 | 39,474 | 5,062 | 6,299 | 42,090 | 45,773 |
| Total | \$ 1,969,404 | \$ 2,041,850 | \$ 1,231,248 | \$ 1,288,008 | \$ 3,200,652 | \$ 3,329,858 |

The Township's total debt decreased by \$129,206 during the fiscal year. The decrease came as a result of scheduled debt service.

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

In addition, as of June 30, 2021, the Township had \$296,274 of long-term other post-employment benefits (OPEB) liabilities. Additional information on the Township's OPEB liabilities can be found in Note J of the Notes to Financial Statements.

General Economic Overview

The Township's General Fund has two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprise approximately 70 percent of the General Fund revenue sources. For fiscal year 2022, the Township budgeted both revenue streams to be about the same as the prior year.

The Township is expecting operating expenditures to increase by the rate of inflation in the coming year in the General Fund with a couple of exceptions. Road improvements of \$179,760 have been budgeted as the Township continues to work to improve the quality of its roads and \$100,000 has also been budgeted for the Township's retiree healthcare plan. For capital outlay, the Township has budgeted for window and security improvements to the Township hall and library and some carpeting. The cost for these improvements has yet to be determined as the Township is still taking estimates. As part of its budget, the Township has appropriated \$356,723 to transfer to the Fire Fund to support fire operations and capital purchases.

In the Fire Fund, operations are expected to be fairly similar to last year other than an increase in insurance costs due to claims. Capital purchases of \$150,000 have been budgeted for self-contained breathing apparatus replacements and some other equipment purchases.

In the Street Light Fund, the Township has budget \$100,000 to replace various streetlights with more efficient bulbs. The new bulbs will reduce Township utility costs. The Township expects savings from this conversion to pay for the cost within three to five years.

The Township continues to work to pay down the debt associated with its new fire station and has budgeted an additional payment on the debt service this year.

The Township continues to monitor treatment costs from Muskegon County and adjust rates as necessary. At this point, the Township does not anticipate any significant increase in rates to customers in the upcoming fiscal year. The Township recently completed a Stormwater, Asset Management, and Wastewater Grant from the State of Michigan. Based on the results of this program, various improvements are planned for the sewer system over the next several years and the Township has budgeted \$618,860 for these improvements in the upcoming fiscal year. The Township is also considering spending its American Rescue Plan Act (ARPA) grant funds on lift station improvements.

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, or telephone (231) 788-2308.

Egelston Township
STATEMENT OF NET POSITION
June 30, 2021

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|---------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and investments | \$ 4,000,782 | \$ 1,104,907 | \$ 5,105,689 |
| Receivables | 31,163 | 308,720 | 339,883 |
| Due from other governmental units | 353,884 | - | 353,884 |
| Prepaid items | 35,491 | 9,984 | 45,475 |
| Total current assets | 4,421,320 | 1,423,611 | 5,844,931 |
| Noncurrent assets | | | |
| Special assessments receivable, less amounts due within one year | - | 2,600 | 2,600 |
| Capital assets, net | | | |
| Nondepreciable | 233,707 | 7,934 | 241,641 |
| Depreciable | 3,170,083 | 2,379,462 | 5,549,545 |
| Total noncurrent assets | 3,403,790 | 2,389,996 | 5,793,786 |
| Total assets | 7,825,110 | 3,813,607 | 11,638,717 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Related to other postemployment benefits | 21,139 | 2,883 | 24,022 |
| Total assets and deferred outflows of resources | 7,846,249 | 3,816,490 | 11,662,739 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 146,036 | 24,457 | 170,493 |
| Due to other governmental units | 133,070 | 52,133 | 185,203 |
| Unearned revenues - fees for subsequent year | 29,520 | - | 29,520 |
| Bonds and other obligations, due within one year | 72,028 | 52,062 | 124,090 |
| Total current liabilities | 380,654 | 128,652 | 509,306 |
| Noncurrent liabilities | | | |
| Bonds and other obligations, less amounts due within one year | 1,897,376 | 1,179,186 | 3,076,562 |
| Net other postemployment benefits liability | 260,721 | 35,553 | 296,274 |
| Total noncurrent liabilities | 2,158,097 | 1,214,739 | 3,372,836 |
| Total liabilities | 2,538,751 | 1,343,391 | 3,882,142 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Related to other postemployment benefits | 352,485 | 48,066 | 400,551 |
| Total liabilities and deferred inflows of resources | 2,891,236 | 1,391,457 | 4,282,693 |
| NET POSITION | | | |
| Net investment in capital assets | 1,471,414 | 1,161,210 | 2,632,624 |
| Restricted | | | |
| Debt service | 124,447 | - | 124,447 |
| Fire operations | 27,333 | - | 27,333 |
| Street lights | 221,061 | - | 221,061 |
| Festival | 44,225 | - | 44,225 |
| Employee health insurance | 19,886 | 3,079 | 22,965 |
| Unrestricted | 3,046,647 | 1,260,744 | 4,307,391 |
| Total net position | \$ 4,955,013 | \$ 2,425,033 | \$ 7,380,046 |

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

| Functions/Programs | Expenses | Program Revenue | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|---------------------|-----------------------------|---|---|--|---------------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities | | | | | | | |
| General government | \$ 815,465 | \$ 129,566 | \$ 9,415 | \$ 150 | \$ (676,334) | \$ - | \$ (676,334) |
| Public safety | 1,317,731 | 229,625 | 100,591 | - | (987,515) | - | (987,515) |
| Public works | 295,481 | - | 5,951 | - | (289,530) | - | (289,530) |
| Health and welfare | 3,010 | - | 2,300 | - | (710) | - | (710) |
| Community and economic development | 6,980 | - | - | - | (6,980) | - | (6,980) |
| Culture and recreation | 101,271 | 59,246 | - | - | (42,025) | - | (42,025) |
| Interest on long-term debt | 66,185 | - | - | - | (66,185) | - | (66,185) |
| Total governmental activities | 2,606,123 | 418,437 | 118,257 | 150 | (2,069,279) | - | (2,069,279) |
| Business-type activities | | | | | | | |
| Sewer | 1,011,527 | 961,519 | - | 40,300 | - | (9,708) | (9,708) |
| Total government | \$ 3,617,650 | \$ 1,379,956 | \$ 118,257 | \$ 40,450 | (2,069,279) | (9,708) | (2,078,987) |
| General revenues | | | | | | | |
| Property taxes, levied for | | | | | | | |
| General purposes | | | | | 332,114 | - | 332,114 |
| Specific purposes | | | | | 871,066 | - | 871,066 |
| Franchise fees | | | | | 119,340 | - | 119,340 |
| Grants and contributions not restricted to specific programs | | | | | 1,164,599 | - | 1,164,599 |
| Unrestricted investment earnings | | | | | 25,924 | 4,996 | 30,920 |
| Miscellaneous | | | | | 12,177 | - | 12,177 |
| Gain on sale of capital assets | | | | | 12,000 | - | 12,000 |
| Total general revenues | | | | | 2,537,220 | 4,996 | 2,542,216 |
| Change in net position | | | | | 467,941 | (4,712) | 463,229 |
| Net position at beginning of year | | | | | 4,487,072 | 2,429,745 | 6,916,817 |
| Net position at end of year | | | | | \$ 4,955,013 | \$ 2,425,033 | \$ 7,380,046 |

The accompanying notes are an integral part of this statement.

Egelston Township
BALANCE SHEET
 Governmental Funds
 June 30, 2021

| | General Fund | Fire Fund | Street Light Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------------|----------------------|----------------------------------|---|---|
| ASSETS | | | | | |
| Cash and investments | \$ 3,546,846 | \$ 41,111 | \$ 233,082 | \$ 179,743 | \$ 4,000,782 |
| Accounts receivable | 30,963 | 135 | 36 | 29 | 31,163 |
| Due from other governmental units | 353,884 | - | - | - | 353,884 |
| Due from other funds | - | 34,168 | - | - | 34,168 |
| Prepaid items | 12,158 | 23,333 | - | - | 35,491 |
| Total assets | \$ 3,943,851 | \$ 98,747 | \$ 233,118 | \$ 179,772 | \$ 4,455,488 |
| LIABILITIES | | | | | |
| Accounts payable | \$ 20,313 | \$ 18,620 | \$ 12,057 | \$ - | \$ 50,990 |
| Accrued liabilities | 40,898 | 43,048 | - | - | 83,946 |
| Due to other governmental units | 128,892 | 4,178 | - | - | 133,070 |
| Due to other funds | 34,168 | - | - | - | 34,168 |
| Unearned revenues - fees for subsequent year | 29,520 | - | - | - | 29,520 |
| Total liabilities | 253,791 | 65,846 | 12,057 | - | 331,694 |
| FUND BALANCES | | | | | |
| Nonspendable - prepaid items | 12,158 | 23,333 | - | - | 35,491 |
| Restricted | | | | | |
| Debt service | - | - | - | 135,547 | 135,547 |
| Fire protection | - | 4,000 | - | - | 4,000 |
| Street lights | - | - | 221,061 | - | 221,061 |
| Festival | - | - | - | 44,225 | 44,225 |
| Employee health insurance | 14,318 | 5,568 | - | - | 19,886 |
| Committed | | | | | |
| Community center improvements | 406,286 | - | - | - | 406,286 |
| Park improvements | 18,061 | - | - | - | 18,061 |
| Cemetery expansion and improvements | 8,000 | - | - | - | 8,000 |
| Townhall and library capital improvements | 115,000 | - | - | - | 115,000 |
| Fire vehicle | 70,000 | - | - | - | 70,000 |
| Other capital improvements | 428,390 | - | - | - | 428,390 |
| Assigned - subsequent year's budget appropriations | 259,382 | - | - | - | 259,382 |
| Unassigned | 2,358,465 | - | - | - | 2,358,465 |
| Total fund balances | 3,690,060 | 32,901 | 221,061 | 179,772 | 4,123,794 |
| Total liabilities and fund balances | \$ 3,943,851 | \$ 98,747 | \$ 233,118 | \$ 179,772 | \$ 4,455,488 |

The accompanying notes are an integral part of this statement.

Egelston Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION**
 June 30, 2021

Total fund balance—governmental funds \$ 4,123,794

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

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

| | | |
|--------------------------|--------------------|-----------|
| Cost of capital assets | \$ 5,942,659 | |
| Accumulated depreciation | <u>(2,538,869)</u> | 3,403,790 |

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

| | | |
|--|------------------|--------------------|
| Accrued interest | (11,100) | |
| Bonds payable | (1,932,376) | |
| Compensated absences | (37,028) | |
| Other postemployment benefits and related deferred outflows/inflows of resources | <u>(592,067)</u> | <u>(2,572,571)</u> |

| | | |
|---|--|----------------------------|
| Net position of governmental activities | | <u>\$ 4,955,013</u> |
|---|--|----------------------------|

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, 2021

| | General Fund | Fire Fund | Street Light Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------------|-------------------------|----------------------------------|---|---|
| REVENUES | | | | | |
| Property taxes | \$ 332,114 | \$ 587,675 | \$ 156,684 | \$ 126,707 | \$ 1,203,180 |
| Licenses and permits | 340,773 | - | - | - | 340,773 |
| Intergovernmental revenues | | | | | |
| Federal | 9,079 | 95,691 | - | - | 104,770 |
| State | 1,052,809 | 55,178 | 34,728 | 26,934 | 1,169,649 |
| Local | 2,300 | - | - | - | 2,300 |
| Charges for services | 100,081 | 55,070 | - | - | 155,151 |
| Fines and forfeitures | 352 | - | - | - | 352 |
| Investment earnings | 24,817 | 4 | 610 | 493 | 25,924 |
| Other | 59,573 | 175 | 216 | - | 59,964 |
| Total revenues | <u>1,921,898</u> | <u>793,793</u> | <u>192,238</u> | <u>154,134</u> | <u>3,062,063</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General government | 686,538 | - | - | - | 686,538 |
| Public safety | 213,081 | 829,943 | - | - | 1,043,024 |
| Public works | 131,529 | - | 146,091 | - | 277,620 |
| Health and welfare | 3,010 | - | - | - | 3,010 |
| Community and economic development | 5,928 | - | - | - | 5,928 |
| Culture and recreation | 73,470 | - | - | 2,500 | 75,970 |
| Other governmental functions | 343,755 | - | - | - | 343,755 |
| Debt service | | | | | |
| Principal | - | - | - | 70,000 | 70,000 |
| Interest and fees | - | - | - | 66,685 | 66,685 |
| Total expenditures | <u>1,457,311</u> | <u>829,943</u> | <u>146,091</u> | <u>139,185</u> | <u>2,572,530</u> |
| Excess of revenues over (under) expenditures | 464,587 | (36,150) | 46,147 | 14,949 | 489,533 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from sale of capital assets | - | 12,000 | - | - | 12,000 |
| Transfers in | - | 34,168 | - | - | 34,168 |
| Transfers out | (34,168) | - | - | - | (34,168) |
| Total other financing sources (uses) | <u>(34,168)</u> | <u>46,168</u> | <u>-</u> | <u>-</u> | <u>12,000</u> |
| Net change in fund balances | 430,419 | 10,018 | 46,147 | 14,949 | 501,533 |
| Fund balances at beginning of year | 3,259,641 | 22,883 | 174,914 | 164,823 | 3,622,261 |
| Fund balances at end of year | <u>\$ 3,690,060</u> | <u>\$ 32,901</u> | <u>\$ 221,061</u> | <u>\$ 179,772</u> | <u>\$ 4,123,794</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, 2021

Net change in fund balances—total governmental funds \$ 501,533

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

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

Depreciation expense (231,758)

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

Repayment of principal on long-term debt 70,000

Change in accrued interest payable 500

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

Change in compensated absences \$ 2,446

Change in other postemployment benefits and related deferred outflows/inflows of resources 125,220 127,666

Change in net position of governmental activities \$ 467,941

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF NET POSITION
Proprietary Fund
June 30, 2021

| | <u>Business-type Activities - Enterprise Fund Sewer</u> |
|--|---|
| ASSETS | |
| Current assets | |
| Cash and investments | \$ 1,104,907 |
| Receivables | |
| Accounts | 308,070 |
| Special assessments | 650 |
| Prepaid items | <u>9,984</u> |
| Total current assets | 1,423,611 |
| Noncurrent assets | |
| Special assessments receivable, less amounts due within one year | 2,600 |
| Capital assets | |
| Land | 7,934 |
| Buildings | 18,613 |
| Utility system | 9,464,407 |
| Equipment | 374,667 |
| Vehicles | 16,667 |
| Access rights | 1,674,280 |
| Less accumulated depreciation and amortization | <u>(9,169,172)</u> |
| Net capital assets | <u>2,387,396</u> |
| Total noncurrent assets | <u>2,389,996</u> |
| Total assets | 3,813,607 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Related to other postemployment benefits | <u>2,883</u> |
| Total assets and deferred outflows of resources | 3,816,490 |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | 2,301 |
| Accrued liabilities | 22,156 |
| Due to other governmental units | 52,133 |
| Bonds and other obligations, due within one year | <u>52,062</u> |
| Total current liabilities | 128,652 |
| Noncurrent liabilities | |
| Bonds and other obligations, less amounts due within one year | 1,179,186 |
| Net other postemployment benefits liability | <u>35,553</u> |
| Total noncurrent liabilities | <u>1,214,739</u> |
| Total liabilities | 1,343,391 |
| DEFERRED INFLOWS OF RESOURCES | |
| Related to other postemployment benefits | <u>48,066</u> |
| Total liabilities and deferred inflows of resources | <u>1,391,457</u> |
| NET POSITION | |
| Net investment in capital assets | 1,161,210 |
| Restricted for employee health insurance | 3,079 |
| Unrestricted | <u>1,260,744</u> |
| Total net position | <u><u>\$ 2,425,033</u></u> |

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 Proprietary Fund
 For the year ended June 30, 2021

| | Business-type Activities - Enterprise Fund Sewer |
|---|---|
| OPERATING REVENUES | |
| Charges for services | \$ 961,519 |
| OPERATING EXPENSES | |
| Administration | 33,735 |
| Operations | 765,216 |
| Depreciation and amortization | 168,152 |
| Total operating expenses | 967,103 |
| Operating income (loss) | (5,584) |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment earnings | 4,996 |
| Connection fees | 40,300 |
| Interest expense | (44,424) |
| Total nonoperating revenues (expenses) | 872 |
| Change in net position | (4,712) |
| Net position at beginning of year | 2,429,745 |
| Net position at end of year | \$ 2,425,033 |

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF CASH FLOWS
 Proprietary Fund
 For the year ended June 30, 2021

| | <u>Business-type Activities - Enterprise Fund Sewer</u> |
|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 963,002 |
| Receipts from interfund services provided | 7,136 |
| Payments to suppliers | (879,997) |
| Payments to employees | (202,279) |
| | (112,138) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Connection fees | 61,564 |
| Purchases of capital assets | (83,330) |
| Principal paid on capital debt | (45,020) |
| Interest paid on capital debt | (55,327) |
| | (122,113) |
| CASH FLOW FROM INVESTING ACTIVITIES | |
| Investment earnings | 4,996 |
| | (229,255) |
| Cash and investments at beginning of year | 1,334,162 |
| Cash and investments at end of year | \$ 1,104,907 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities | |
| Operating income (loss) | \$ (5,584) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities | |
| Depreciation and amortization expense | 168,152 |
| Change in assets and liabilities | |
| Receivables | 8,619 |
| Prepaid items | (2,404) |
| Accounts payable | (645) |
| Accrued liabilities | (17,239) |
| Due to other governmental units | (263,037) |
| | \$ (112,138) |

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF NET POSITION
 Fiduciary Funds
 June 30, 2021

| | Other Post- Employment Benefit Trust Fund | Custodial Fund Current Tax |
|---|--|---------------------------------------|
| ASSETS | | |
| Cash and investments | \$ 799,857 | \$ 39,865 |
| Receivables | - | 3,597 |
| Total assets | 799,857 | 43,462 |
| LIABILITIES | | |
| Due to other governmental units | - | 4,675 |
| Other liabilities | - | 38,787 |
| Total liabilities | - | 43,462 |
| NET POSITION | | |
| Restricted for other post-employment benefits | \$ 799,857 | \$ - |

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF CHANGES IN NET POSITION
 Fiduciary Funds
 For the year ended June 30, 2021

| | Other Post- Employment Benefit Trust Fund | <u>Custodial Fund</u> <u>Current Tax</u> |
|---|--|---|
| ADDITIONS | | |
| Property tax collections for other governments | \$ - | \$ 6,516,438 |
| Employer contributions | 134,898 | - |
| Investment earnings | 171,868 | - |
| Total additions | 306,766 | 6,516,438 |
| DEDUCTIONS | | |
| Payments of property taxes to other governments | - | 6,516,438 |
| Benefit payments | 34,898 | - |
| Administrative expenses | 3,273 | - |
| Total deductions | 38,171 | 6,516,438 |
| Change in net position | 268,595 | - |
| Net position at beginning of year, as restated | 531,262 | - |
| Net position at end of year | \$ 799,857 | \$ - |

The accompanying notes are an integral part of this statement.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Generally accepted accounting principles require that if the Township is considered to be financially accountable for other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criterion, none are included in the financial statements.

Basis of Presentation—Government-wide and Fund Financial Statements

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

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the Township's enterprise fund. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

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

The Township reports the following major governmental funds:

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

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

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

The Township reports the following major enterprise fund:

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

Additionally, the Township reports the following fund types:

The Other Post-Employment Benefit Trust Fund is used to report resources that are administered through irrevocable trusts for the benefit of Township employees and retirees.

The Custodial Fund is used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose funds.

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

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

Measurement Focus and Basis of Accounting

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

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

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

Cash and Investments

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

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

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

The Other Post-Employment Benefit Trust Funds are held in trust by the Constellation Trust Company and are subject to the investment policies of Constellation Trust Company and State of Michigan statutes allowing diverse investments in stocks, corporate and government bonds, mortgages, real estate, and other investments.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Capital Assets

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

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

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

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

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

Other Postemployment Benefit Costs

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

Deferred Outflows/Inflows of Resources

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Deferred Outflows/Inflows of Resources—Continued

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Property Taxes

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

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

The 2020 state taxable value for real/personal property of the Township totaled approximately \$195,744,000. The ad valorem taxes levied consisted of 1.1633, 2.9688, .64, and 0.79168 mills for the Township's general operation, fire department operations, debt service, and street lights, respectively. These amounts are recognized in the respective General Fund, Fire Fund, Fire Station Debt Fund, and Street Light Fund.

Compensated Absences

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

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

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

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2021, the Township had the following investments:

| Investment Type | Fair Value | Weighted Average Maturity (Days) | S&P | Percent |
|--------------------------------------|---------------------|---|----------------|----------------|
| External investment pool | \$ 595,082 | 79 | AAAm | 100 % |
| Constellation Trust investment funds | 799,857 | N/A | AAA | N/A |
| Total fair value | \$ 1,394,939 | | | 100.0 % |
| Portfolio weighted average maturity | | 79 | | |

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

Deposit and Investment Risks

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

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, 2021, \$3,848,275 of the Township's bank balance of \$4,563,358 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, 2021

NOTE D—FAIR VALUE MEASUREMENTS

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

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

Level 2 Inputs to the valuation methodology include the following:

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021.

External investment pool and Constellation Trust Company investment funds: The assets are valued based upon the Township's allocable share of the Michigan CLASS (Pool) and Constellation Trust Company pooled investment portfolios. The allocable share is based on the value of the underlying assets owned by the pool, minus its liabilities.

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE D—FAIR VALUE MEASUREMENTS—Continued

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

The following table sets forth by level, within the fair value hierarchy, the Township’s assets at fair value on a recurring basis as of June 30, 2021:

| | Assets at Fair Value as of June 30, 2021 | | | |
|--------------------------------------|---|---------------------|----------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| External investment pool | \$ - | \$ 595,082 | \$ - | \$ 595,082 |
| Constellation Trust investment funds | - | 799,857 | - | 799,857 |
| Total assets at fair value | \$ - | \$ 1,394,939 | \$ - | \$ 1,394,939 |

NOTE E—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

| | Balance July 1, 2020 | Additions | Deductions | Balance June 30, 2021 |
|---|---------------------------------|---------------------|-------------------|----------------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 233,707 | \$ - | \$ - | \$ 233,707 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 516,039 | - | 11,351 | 504,688 |
| Buildings and improvements | 3,069,692 | - | - | 3,069,692 |
| Equipment | 367,898 | - | - | 367,898 |
| Office equipment | 64,432 | - | - | 64,432 |
| Vehicles | 1,702,242 | - | - | 1,702,242 |
| Total capital assets, being depreciated | 5,720,303 | - | 11,351 | 5,708,952 |
| Less accumulated depreciation: | | | | |
| Land improvements | 320,646 | 26,871 | 11,351 | 336,166 |
| Buildings and improvements | 921,494 | 68,195 | - | 989,689 |
| Equipment | 261,397 | 25,633 | - | 287,030 |
| Office equipment | 59,038 | 3,236 | - | 62,274 |
| Vehicles | 755,887 | 107,823 | - | 863,710 |
| Total accumulated depreciation | 2,318,462 | 231,758 | 11,351 | 2,538,869 |
| Total capital assets, being depreciated, net | 3,401,841 | (231,758) | - | 3,170,083 |
| Capital assets, net | \$ 3,635,548 | \$ (231,758) | \$ - | \$ 3,403,790 |

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE E—CAPITAL ASSETS—Continued

| | Balance July 1, 2020 | Additions | Deductions | Balance June 30, 2021 |
|---|---------------------------------------|--------------------|-------------------|--|
| 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 | 9,381,077 | 83,330 | - | 9,464,407 |
| Equipment | 374,667 | - | - | 374,667 |
| Vehicles | 16,667 | - | - | 16,667 |
| Access rights | 1,674,280 | - | - | 1,674,280 |
| Total capital assets, being depreciated | 11,465,304 | 83,330 | - | 11,548,634 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 11,865 | 465 | - | 12,330 |
| Utility systems | 7,935,331 | 73,160 | - | 8,008,491 |
| Equipment | 266,519 | 33,323 | - | 299,842 |
| Vehicles | 16,667 | - | - | 16,667 |
| Access rights | 770,638 | 61,204 | - | 831,842 |
| Total accumulated depreciation | 9,001,020 | 168,152 | - | 9,169,172 |
| Total capital assets, being depreciated, net | 2,464,284 | (84,822) | - | 2,379,462 |
| Capital assets, net | \$ 2,472,218 | \$ (84,822) | \$ - | \$ 2,387,396 |

Depreciation

Depreciation expense has been charged to functions as follows:

Governmental activities:

| | |
|------------------------|-------------------|
| General government | \$ 34,068 |
| Public safety | 154,877 |
| Public works | 17,511 |
| Culture and recreation | 25,302 |
| | \$ 231,758 |

Business-type activities:

| | |
|-------|-------------------|
| Sewer | \$ 168,152 |
|-------|-------------------|

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE F—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due To/Due From Other Fund:

The General Fund owes the Fire Fund \$34,168. The outstanding balance between the funds results from the remainder of a transfer to subsidize Fire Fund operations.

Interfund Transfers:

The General Fund transferred \$34,168 to the Fire Fund as an operation subsidy.

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, 2021:

| | <u>Balance</u> <u>July 1, 2020</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2021</u> | <u>Due Within</u> <u>One Year</u> |
|---|---------------------------------------|------------------|-------------------|--|--------------------------------------|
| Governmental activities: | | | | | |
| Direct borrowings and direct placements | | | | | |
| General obligation bonds | \$ 2,002,376 | \$ - | \$ 70,000 | \$ 1,932,376 | \$ 35,000 |
| Compensated absences | 39,474 | 56,732 | 59,178 | 37,028 | 37,028 |
| Governmental activities long-term liabilities | \$ 2,041,850 | \$ 56,732 | \$ 129,178 | \$ 1,969,404 | \$ 72,028 |
| Business-type activities: | | | | | |
| Direct borrowings and direct placements | | | | | |
| General obligation bonds | \$ 1,177,527 | \$ - | \$ 45,020 | \$ 1,132,507 | \$ 47,000 |
| Premium | 104,182 | - | 10,503 | 93,679 | - |
| Compensated absences | 6,299 | 14,329 | 15,566 | 5,062 | 5,062 |
| Business-type activities long-term liabilities | \$ 1,288,008 | \$ 14,329 | \$ 71,089 | \$ 1,231,248 | \$ 52,062 |

General obligation bonds are a direct obligation and pledge the full faith and credit of the Township.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE G—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

| | <u>Interest Rate</u> | <u>Date of Maturity</u> | <u>Balance</u> |
|---|----------------------|-------------------------|---------------------|
| Governmental activities: | | | |
| Direct borrowings and direct placements | | | |
| General obligation bonds | | | |
| 2013 Unlimited Tax General Obligation Bonds | 3.375% | May 2043 | <u>\$ 1,932,376</u> |
| Business-type activities: | | | |
| Direct borrowings and direct placements | | | |
| General obligation bonds | | | |
| Muskegon County Wastewater Management - Number One Refunding Bonds of 2015 | 4-5% | Nov 2036 | <u>\$ 1,132,507</u> |

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, 2021 was approximately \$209,000. 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, 2021.

Annual debt service requirements to maturity for debt outstanding as of June 30, 2021 follow:

| Year Ending June 30, | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|-------------------------|--|-------------------|--|-------------------|
| | <u>Direct Borrowings and Direct Placements</u> | | <u>Direct Borrowings and Direct Placements</u> | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2022 | \$ 35,000 | \$ 65,218 | \$ 47,000 | \$ 53,004 |
| 2023 | 35,000 | 64,036 | 50,000 | 50,546 |
| 2024 | 50,000 | 62,855 | 52,000 | 47,965 |
| 2025 | 55,000 | 61,168 | 55,000 | 45,249 |
| 2026 | 60,000 | 59,311 | 58,000 | 42,389 |
| 2027-2031 | 360,000 | 263,313 | 334,000 | 170,588 |
| 2032-2036 | 490,000 | 194,801 | 426,000 | 81,189 |
| 2037-2041 | 645,000 | 101,988 | 110,507 | 2,519 |
| 2042-2043 | 202,376 | 8,598 | - | - |
| | <u>\$ 1,932,376</u> | <u>\$ 881,288</u> | <u>\$ 1,132,507</u> | <u>\$ 493,449</u> |

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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.

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

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Township Board. For each employee in the Plan, the Township is required to contribute 14 percent of gross earnings. Employees are not required to make contributions to the Plan. For the year ended June 30, 2021, the Township recognized pension expense of \$114,552.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Township contributions and earnings on Township contributions after completion of two years of qualified service to the Township. Nonvested Township contributions are forfeited upon termination of employment. Such forfeitures are used to reduce required Township contributions. For the year ended June 30, 2021 there were no forfeitures.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE J—OTHER POSTEMPLOYMENT BENEFITS

Retiree Healthcare Plan

Plan Description

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

Benefits Provided

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

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

Employees Covered by Benefit Terms

At the June 30, 2020 valuation, the following employees were covered by the benefit terms:

| | |
|--|--|
| Inactive employees or beneficiaries currently receiving benefits | 7 |
| Active employees | 15 |
| Total employees covered by OPEB Plan | 22 |

Contributions

The OPEB Plan was established and is being funded under the authority of the Township Board. The OPEB Plan’s funding policy is that the Township will contribute \$100,000 annually. Currently, benefit payments are made from general operating funds. There are no long term contracts for contributions to the plan. The plan has no legally required reserves. For the year ended June 30, 2021, the Township made payments for postemployment healthcare benefits for current retirees of \$34,898. The Township also made contributions to the OPEB Plan trust of \$100,000.

Net OPEB Liability

The Township’s net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020 which was rolled forward to June 30, 2021.

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation rolled forward to June 30, 2021 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------|--|
| Inflation | Included in investment rate of return |
| Salary increases | 3.5 percent |
| Investment rate of return | 7 percent (including inflation), net of administrative and investment expenses |
| Healthcare cost trend rates | Pre-Medicare: 8.25 percent graded down to 7.5 percent after 1 and then down to 4.5 percent over 12 years Post-Medicare: 6.5 percent graded down to 5.75 percent after 1 and then down to 4.5 percent over 5 years |

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE J—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Actuarial Assumptions—Continued

Mortality

Mortality rates for public safety employees and retirees were as set forth in the Public Safety 2010 Employee and Healthy Retiree, headcount weighted, with MP 2020 improvement scale. Mortality rates for general employees, retirees, and spouses were as set forth in the Public General 2010 Employee and Healthy Retiree, headcount weighted, with MP 2020 improvement scale.

Investment Rate of Return

The long-term rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan’s target asset allocation as of June 30, 2021 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------|------------------------------|---|
| Global equity | 64.0% | 8.00% |
| Global fixed income | 26.0% | 5.50% |
| Real assets | 5.0% | 6.20% |
| Diversifying strategies | 5.0% | 2.75% |

The sum of each target allocation times its long-term expected rate, plus inflation, is 7 percent.

Discount Rate

The discount rate used to measure the total OPEB liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that the Township will make contributions of \$100,000 annually. Based on this assumption, the OPEB Plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability. The discount rate used to calculate the liability at the beginning of the year was 6.89 percent.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE J—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Changes in the Net OPEB Liability

| | Increase (Decrease) | | Net OPEB Liability (a)-(b) |
|--|-------------------------------------|--|---|
| | Total OPEB Liability (a) | Plan Fiduciary Position (b) | |
| Balance at beginning of year | \$ 1,089,873 | \$ 531,262 | \$ 558,611 |
| Changes for the year | | | |
| Service cost | 28,083 | - | 28,083 |
| Interest | 75,825 | - | 75,825 |
| Experience (gains)/losses | (9,388) | - | (9,388) |
| Changes of assumptions | (53,364) | - | (53,364) |
| Contributions - employer | - | 134,898 | (134,898) |
| Net investment income | - | 172,296 | (172,296) |
| Administrative expenses | - | (3,701) | 3,701 |
| Benefit payments including refund of employee contributions | (34,898) | (34,898) | - |
| Net changes | 6,258 | 268,595 | (262,337) |
| Balance at end of year | \$ 1,096,131 | \$ 799,857 | \$ 296,274 |

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

The following presents the net OPEB liability of the Township, calculated using the discount rate of 7 percent, as well as what the Township's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

| | Current Discount | | |
|-------------------------------|-------------------------|------------------|-------------------------|
| | 1% Decrease (6%) | Rate (7%) | 1% Increase (8%) |
| Township's net OPEB liability | \$ 426,051 | \$ 296,274 | \$ 186,964 |

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE J—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

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

The following presents the net OPEB liability of the Township, calculated using the healthcare cost trend rate for pre-65 of 8.25 percent, decreasing to 4.5 percent and Medicare eligible of 6.5 percent decreasing to 4.5 percent, as well as what the Township’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.25 percent decreasing to 3.5 percent or 5.5 percent decreasing to 3.5 percent) or 1-percentage-point higher (9.25 percent decreasing to 5.5 percent or 7.5 percent decreasing to 5.5 percent) than the current rate:

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|-------------------------------|--------------------|---|--------------------|
| Township's net OPEB liability | \$ 206,654 | \$ 296,274 | \$ 404,493 |

OPEB Plan Fiduciary Net Position

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

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

For the year ended June 30, 2021, the Township recognized OPEB expense of \$(7,397). At June 30, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences in experience | \$ - | \$ 158,847 |
| Changes in assumptions | 24,022 | 155,509 |
| Net difference between projected and actual net investment income | - | 86,195 |
| Total | \$ 24,022 | \$ 400,551 |

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE J—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

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

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

| Year Ending June 30, | Amount |
|-------------------------|-------------|
| 2022 | \$ (71,637) |
| 2023 | (70,398) |
| 2024 | (70,553) |
| 2025 | (76,511) |
| 2026 | (50,726) |
| Thereafter | (36,704) |

Payables to the OPEB Plan

At June 30, 2021, the Township did not have a payable to the OPEB Plan.

Healthcare Savings Plan

The Township also maintains a defined contribution OPEB Plan (Post Employment Health Plan or PEHP) which provides certain health care benefits to plan member and legal dependents upon termination of employment. The PEHP covers all full-time members of the IAFF union. The PEHP is administered by Nationwide Mutual Insurance Company.

For qualified employees, the Township contributes 2 percent of employees' non-overtime salary. Contributions rates are determined under collective bargaining agreements and at the discretion of the Township Board.

Employees are immediately vested in all contributions and earnings of those contributions.

For the year ended June 30, 2021, Township contributions were \$5,146.

NOTE K—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 55 percent of General Fund revenues.

NOTE L—RISKS AND UNCERTAINTIES

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully understand the impact that it will have on the economy and the Township's operations. As of June 30, 2021, the Township is in the process of implementing risk mitigation tactics including all aspects of the Township's operations.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE M—CHANGE IN ACCOUNTING PRINCIPLE

The net position of the fiduciary activities and Other Post-Employment Benefit Trust Fund was restated effective July 1, 2020 to reflect the implementation of GASB Statement No. 84, *Fiduciary Activities*.

GASB Statement 84 was issued by the GASB in January 2017 and is effective for the Township’s 2021 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund on the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

| | Other Post- Employment Benefit Trust Fund |
|---|--|
| Net position at July 1, 2020 | \$ - |
| Other Post-Employment Benefit Trust Fund | 531,262 |
| Net position at July 1, 2020, as restated | \$ 531,262 |

NOTE N—UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement 87—*Leases* was issued by the GASB in June 2017 and will be effective for the Township’s 2022 fiscal year. The objective of this Statement is to better meet the information needs of financial statements users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

GASB Statement 96—*Subscription-Based Information Technology Arrangements* was issued by the GASB in May 2020 and will be effective for the Township’s 2023 fiscal year. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

REQUIRED SUPPLEMENTARY INFORMATION

Egelston Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2021

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|------------------|---------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Property taxes | \$ 323,419 | \$ 334,119 | \$ 332,114 | \$ (2,005) |
| Licenses and permits | 314,100 | 341,290 | 340,773 | (517) |
| Intergovernmental revenues | | | | |
| Federal | - | 9,079 | 9,079 | - |
| State | 943,706 | 1,001,008 | 1,052,809 | 51,801 |
| Local | - | 24,078 | 2,300 | (21,778) |
| Charges for services | 76,480 | 102,664 | 100,081 | (2,583) |
| Fines and forfeitures | 500 | 500 | 352 | (148) |
| Investment earnings | 57,000 | 57,000 | 24,817 | (32,183) |
| Other | 57,807 | 62,807 | 59,573 | (3,234) |
| Total revenues | <u>1,773,012</u> | <u>1,932,545</u> | <u>1,921,898</u> | <u>(10,647)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | | | | |
| Township board | 24,300 | 24,300 | 18,421 | 5,879 |
| Supervisor | 46,950 | 46,950 | 43,379 | 3,571 |
| Elections | 18,160 | 18,160 | 16,003 | 2,157 |
| Board of review | 3,200 | 3,200 | 1,900 | 1,300 |
| Clerk | 100,500 | 100,500 | 95,854 | 4,646 |
| Treasurer | 74,650 | 74,650 | 70,992 | 3,658 |
| Assessor | 68,000 | 68,000 | 67,625 | 375 |
| Township hall | 62,343 | 64,443 | 55,413 | 9,030 |
| Cemetery | 37,700 | 38,550 | 32,981 | 5,569 |
| Professional services | 28,000 | 69,000 | 61,544 | 7,456 |
| Office clerk | 126,600 | 126,600 | 125,488 | 1,112 |
| Maintenance | 105,395 | 109,395 | 96,938 | 12,457 |
| Medical marihuana committee | 6,400 | 6,400 | - | 6,400 |
| Public safety | | | | |
| Inspection department | 152,400 | 156,800 | 149,679 | 7,121 |
| Sheriff | 63,303 | 69,882 | 63,402 | 6,480 |
| Public works | | | | |
| Landfill | 5,800 | 5,800 | 882 | 4,918 |
| Roads | 192,749 | 192,749 | 130,647 | 62,102 |
| Health and welfare | | | | |
| Senior services | - | 2,300 | 3,010 | (710) |
| Community and economic development | | | | |
| Planning | 9,100 | 9,100 | 3,701 | 5,399 |
| Zoning board of appeals | 1,250 | 3,180 | 2,227 | 953 |
| Culture and recreation | | | | |
| Recreation programs and park maintenance | 69,916 | 69,916 | 58,782 | 11,134 |
| Library | 18,770 | 18,770 | 14,688 | 4,082 |
| Other governmental functions | | | | |
| Payroll benefits | 325,625 | 325,625 | 289,734 | 35,891 |
| Insurance | 36,000 | 36,000 | 27,726 | 8,274 |
| Other | 31,483 | 35,200 | 26,295 | 8,905 |
| Capital outlay | 83,300 | 83,300 | - | 83,300 |
| Total expenditures | <u>1,691,894</u> | <u>1,758,770</u> | <u>1,457,311</u> | <u>301,459</u> |
| Excess of revenues over (under) expenditures | 81,118 | 173,775 | 464,587 | 290,812 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of capital assets | 1,000 | 1,000 | - | (1,000) |
| Transfers out | (201,203) | (99,066) | (34,168) | 64,898 |
| Total other financing sources (uses) | <u>(200,203)</u> | <u>(98,066)</u> | <u>(34,168)</u> | <u>63,898</u> |
| Net change in fund balance | <u>\$ (119,085)</u> | <u>\$ 75,709</u> | 430,419 | <u>\$ 354,710</u> |
| Fund balance at beginning of year | | | 3,259,641 | |
| Fund balance at end of year | | | <u>\$ 3,690,060</u> | |

Egelston Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Fire Fund
For the year ended June 30, 2021

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|-------------------------|--------------|------------------|---------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 590,377 | \$ 590,377 | \$ 587,675 | \$ (2,702) |
| Intergovernmental revenue | | | | |
| Federal | - | 75,420 | 95,691 | 20,271 |
| State | - | 55,178 | 55,178 | - |
| Charges for services | 53,500 | 56,434 | 55,070 | (1,364) |
| Investment earnings | 6 | 6 | 4 | (2) |
| Other | - | - | 175 | 175 |
| | | | | |
| Total revenues | 643,883 | 777,415 | 793,793 | 16,378 |
| EXPENDITURES | | | | |
| Current | | | | |
| Public safety | 845,086 | 888,481 | 829,943 | 58,538 |
| | | | | |
| Excess of revenues over (under) expenditures | (201,203) | (111,066) | (36,150) | 74,916 |
| OTHER FINANCING SOURCES | | | | |
| Proceeds from sale of capital assets | - | 12,000 | 12,000 | - |
| Transfers in | 201,203 | 99,066 | 34,168 | (64,898) |
| | | | | |
| Total other financing sources | 201,203 | 111,066 | 46,168 | (64,898) |
| | | | | |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 10,018 | <u>\$ 10,018</u> |
| Fund balance at beginning of year | | | <u>22,883</u> | |
| Fund balance at end of year | | | <u>\$ 32,901</u> | |

Egelston Township
 Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
 Street Light Fund
 For the year ended June 30, 2021

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|-----------------------------------|-------------------------|------------------|-------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Property taxes | \$ 157,515 | \$ 157,515 | \$ 156,684 | \$ (831) |
| Intergovernmental revenue - State | - | 34,728 | 34,728 | - |
| Investment earnings | 400 | 400 | 610 | 210 |
| Other | - | - | 216 | 216 |
| Total revenues | 157,915 | 192,643 | 192,238 | (405) |
| EXPENDITURES | | | | |
| Current | | | | |
| Public works | 156,700 | 156,700 | 146,091 | 10,609 |
| Net change in fund balance | <u>\$ 1,215</u> | <u>\$ 35,943</u> | 46,147 | <u>\$ 10,204</u> |
| Fund balance at beginning of year | | | <u>174,914</u> | |
| Fund balance at end of year | | | <u>\$ 221,061</u> | |

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

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|---------------------|---------------------|
| TOTAL OPEB LIABILITY | | | | |
| Service cost | \$ 28,083 | \$ 30,491 | \$ 40,178 | \$ 38,015 |
| Interest | 75,825 | 83,145 | 73,978 | 70,105 |
| Differences between expected and actual experience | (9,388) | (195,363) | (7,515) | - |
| Changes of assumptions | (53,364) | 32,150 | (170,234) | - |
| Benefit payments, including refunds of employee contributions | (34,898) | (35,695) | (42,441) | (42,001) |
| Net change in total OPEB liability | 6,258 | (85,272) | (106,034) | 66,119 |
| Total OPEB liability at beginning of year | 1,089,873 | 1,175,145 | 1,281,179 | 1,215,060 |
| Total OPEB liability at end of year (a) | \$ 1,096,131 | \$ 1,089,873 | \$ 1,175,145 | \$ 1,281,179 |
| PLAN FIDUCIARY NET POSITION | | | | |
| Contributions-employer | \$ 134,898 | \$ 135,695 | \$ 142,441 | \$ 117,001 |
| Net investment income | 172,296 | 3,715 | 20,925 | 20,623 |
| Benefit payments, including refunds or employee contributions | (34,898) | (35,695) | (42,441) | (42,001) |
| Administrative expense | (3,701) | (2,448) | (1,869) | (1,383) |
| Net change in plan fiduciary net position | 268,595 | 101,267 | 119,056 | 94,240 |
| Plan fiduciary net position at beginning of year | 531,262 | 429,995 | 310,939 | 216,699 |
| Plan fiduciary net position at end of year (b) | \$ 799,857 | \$ 531,262 | \$ 429,995 | \$ 310,939 |
| Township's net OPEB liability at end of year (a)-(b) | \$ 296,274 | \$ 558,611 | \$ 745,150 | \$ 970,240 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 72.97% | 48.75% | 36.59% | 24.27% |
| Covered employee payroll | \$ 788,582 | \$ 765,603 | \$ 810,511 | Not Available |
| Township's net OPEB liability as a percentage of covered employee payroll | 37.57% | 72.96% | 91.94% | Not Available |

Notes to Schedule

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

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

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|--------------------|--------------------|-------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| Actuarially determined contribution | \$ 99,937 | \$ 121,783 | \$ 133,804 | \$ 129,336 | \$ 131,586 | \$ 131,586 | \$ 170,432 | \$ 170,432 | \$ 170,432 | \$ 181,077 |
| Contributions in relation to the actuarially determined contribution | 134,898 | 135,695 | 142,441 | 117,001 | 115,296 | 44,633 | 48,792 | 44,472 | 36,623 | 33,551 |
| Contribution deficiency (excess) | \$ (34,961) | \$ (13,912) | \$ (8,637) | \$ 12,335 | \$ 16,290 | \$ 86,953 | \$ 121,640 | \$ 125,960 | \$ 133,809 | \$ 147,526 |
| Covered employee payroll | \$ 788,582 | \$ 765,603 | \$ 810,511 | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available |
| Contributions as percentage of covered employee payroll | 17.1% | 17.7% | 17.6% | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available |

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of June 30, 2020, rolled forward to June 30, 2021.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age normal (level percentage of compensation) |
| Amortization method | Level dollar, Closed |
| Remaining amortization period | 12 years |
| Asset valuation method | Equal to market value of assets |
| Inflation | Included in investment rate of return |
| Salary increases | 3.5 percent |
| Investment rate of return | 7 percent (including inflation), net of administrative and investment expenses |
| Retirement age | 60 years of age |
| Mortality | Public Safety Employees and Retirees: as set forth in the Public Safety 2010 Employee and Healthy Retiree, headcount weighted, with MP 2020 improvement scale General Employees, Retirees, and Spouses: as set forth in the Public General 2010 Employee and Healthy Retiree, headcount weighted, with MP 2020 improvement scale |

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

| | 2021 | 2020 | 2019 | 2018 |
|---|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 29.74% | 0.78% | 5.81% | 8.14% |

Notes to Schedule

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

OTHER SUPPLEMENTAL INFORMATION

Egelston Township
COMBINING BALANCE SHEET
 Other Governmental Funds
 June 30, 2021

| | Total Other Governmental Funds | Special Revenue Fund <u>Festival</u> | Debt Service Fund <u>Fire Station Debt</u> |
|----------------------|---|---|---|
| ASSETS | | | |
| Cash and investments | \$ 179,743 | \$ 44,225 | \$ 135,518 |
| Accounts receivable | 29 | - | 29 |
| Total assets | \$ 179,772 | \$ 44,225 | \$ 135,547 |
| FUND BALANCES | | | |
| Restricted | | | |
| Debt service | \$ 135,547 | - | \$ 135,547 |
| Festival | 44,225 | 44,225 | - |
| Total fund balances | \$ 179,772 | \$ 44,225 | \$ 135,547 |

Egelston Township
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
Other Governmental Funds
For the year ended June 30, 2021

| | Total Other Governmental Funds | Special Revenue Fund <u>Festival</u> | Debt Service Fund <u>Fire Station Debt</u> |
|------------------------------------|---|---|---|
| REVENUES | | | |
| Property taxes | \$ 126,707 | \$ - | \$ 126,707 |
| Intergovernmental revenues - State | 26,934 | - | 26,934 |
| Investment earnings | 493 | 177 | 316 |
| Total revenues | 154,134 | 177 | 153,957 |
| EXPENDITURES | | | |
| Current | | | |
| Culture and recreation | 2,500 | 2,500 | - |
| Debt service | | | |
| Principal | 70,000 | - | 70,000 |
| Interest and fees | 66,685 | - | 66,685 |
| Total expenditures | 139,185 | 2,500 | 136,685 |
| Net change in fund balances | 14,949 | (2,323) | 17,272 |
| Fund balances at beginning of year | 164,823 | 46,548 | 118,275 |
| Fund balances at end of year | \$ 179,772 | \$ 44,225 | \$ 135,547 |