

Egelston Township
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

June 30, 2023



Egelston Township

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INDEPENDENT AUDITOR'S REPORT

Township Board
Egelston Township
Muskegon, Michigan

Report of the Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise Egelston Township, Michigan's basic financial statements as listed in the table of contents.

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, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Egelston Township, Michigan, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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Report of the Audit of the Financial Statements—Continued

Responsibilities of Management for the Financial Statements—Continued

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Egelston Township, Michigan’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Egelston Township, Michigan’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Egelston Township, Michigan’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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Report of the Audit of the Financial Statements—Continued

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other post-employment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* we have also issued our report dated December 7, 2023, 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.



Muskegon, Michigan
December 7, 2023

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, 2023. 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, health and welfare, 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, use 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, 2023, the Township's net position from governmental activities totaled \$5,786,521 (69%) and \$2,563,456 (31%) from business-type activities, creating a government-wide net position total of \$8,349,977.

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 \$3,978,472. 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 \$2,563,456 in net position, of which \$1,507,511 is unrestricted net position.

For governmental activities, current assets and other assets decreased and capital assets increased due to the purchase of a new fire truck. Noncurrent liabilities decreased due to debt payments made during the year.

For business-type activities, capital assets decreased due to current year depreciation expense exceeding capital asset additions. Noncurrent liabilities decreased due to debt payments made during the year.

Fluctuations in deferred inflows and outflows of resources are due to differences in experience, assumptions, and investment return related to the other post-employment benefits plan which are being amortized over average expected remaining service lives of all employees.

Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Current assets and other assets	\$ 6,513,405	\$ 6,666,971	\$ 1,673,683	\$ 1,553,016	\$ 8,187,088	\$ 8,219,987
Capital assets	3,038,421	2,851,549	2,158,772	2,265,040	5,197,193	5,116,589
Total assets	9,551,826	9,518,520	3,832,455	3,818,056	13,384,281	13,336,576
Deferred outflows of resources	124,285	218,108	16,948	29,742	141,233	247,850
Total assets and deferred outflows of resources	9,676,111	9,736,628	3,849,403	3,847,798	13,525,514	13,584,426
Current liabilities	1,419,807	1,530,526	169,562	177,110	1,589,369	1,707,636
Noncurrent liabilities	1,706,717	2,161,025	1,056,503	1,167,802	2,763,220	3,328,827
Total liabilities	3,126,524	3,691,551	1,226,065	1,344,912	4,352,589	5,036,463
Deferred inflows of resources	763,066	683,283	59,882	46,533	822,948	729,816
Total liabilities and deferred inflows of resources	3,889,590	4,374,834	1,285,947	1,391,445	5,175,537	5,766,279
Net position						
Net investment in capital assets	1,291,045	1,019,173	1,050,543	1,096,826	2,341,588	2,115,999
Restricted	517,004	542,292	5,402	6,672	522,406	548,964
Unrestricted	3,978,472	3,800,329	1,507,511	1,352,855	5,485,983	5,153,184
Total net position	\$ 5,786,521	\$ 5,361,794	\$ 2,563,456	\$ 2,456,353	\$ 8,349,977	\$ 7,818,147

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			
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues						
Charges for services	\$ 421,380	\$ 428,336	\$ 971,660	\$ 1,004,637	\$ 1,393,040	\$ 1,432,973
Operating grants and contributions	18,858	22,342	47,893	-	66,751	22,342
Capital grants and contributions	200	200	10,400	-	10,600	200
General revenues						
Property taxes	1,323,553	1,247,917	-	-	1,323,553	1,247,917
Franchise fees	121,625	122,495	-	-	121,625	122,495
Grants and contributions not restricted	1,400,132	1,471,185	-	-	1,400,132	1,471,185
Unrestricted investment earnings	109,093	18,636	23,733	2,969	132,826	21,605
Miscellaneous	6,692	26,298	-	-	6,692	26,298
Gain on sale of capital assets	-	2,062	-	-	-	2,062
Total revenues	3,401,533	3,339,471	1,053,686	1,007,606	4,455,219	4,347,077
Expenses:						
General government	795,704	787,743	-	-	795,704	787,743
Public safety	1,459,502	1,417,481	-	-	1,459,502	1,417,481
Public works	369,486	415,089	-	-	369,486	415,089
Health, welfare and sanitation	8,979	10,800	-	-	8,979	10,800
Community and economic development	5,953	5,832	-	-	5,953	5,832
Culture and recreation	276,841	233,079	-	-	276,841	233,079
Interest on long term debt	60,341	62,666	-	-	60,341	62,666
Sewer	-	-	946,583	976,286	946,583	976,286
Total expenses	2,976,806	2,932,690	946,583	976,286	3,923,389	3,908,976
Change in net position	424,727	406,781	107,103	31,320	531,830	438,101
Net position - Beginning	5,361,794	4,955,013	2,456,353	2,425,033	7,818,147	7,380,046
Net position - Ending	\$ 5,786,521	\$ 5,361,794	\$ 2,563,456	\$ 2,456,353	\$ 8,349,977	\$ 7,818,147

Governmental Activities

Property taxes increased due to growth in taxable value. Unrestricted investment earnings increased due to higher interest rates. Public works expenses decreased by \$45,603 due to a project to covert street lights to LED and additional drain costs in the prior year. Culture and recreation expenses increased by \$43,762 due to repairs and work in the Library.

Business-type Activities

A small decrease in wastewater flow reduced charges for services and sewer expenses. Operating grants and contributions were American Rescue Plan Act funds used for engineering on lift station improvements. Unrestricted investment earnings increased due to higher interest rates.

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, 2023, the governmental funds reported a combined unassigned fund balance of \$3,260,738, 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 \$825,737 for various capital improvements and other anticipated projects and assigned fund balance for the subsequent year's budget appropriations in the amount of \$226,488.

The General Fund is the chief operating fund of the Township. At June 30, 2023, the General Fund fund balance was \$4,336,942, a decrease of \$54,197 as a result of a transfer for a new fire truck. 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 142 percent of the General Fund expenditures and transfers (195 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 increased by \$107,103.

General Fund Budget

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

- The intergovernmental revenues – State budget was increased by \$119,484 due to additional State revenue sharing and personal property tax replacement monies.
- The intergovernmental revenues – Local budget was increased by \$32,101 due to County funding for senior resources.
- Charges for services revenues budget was decreased by \$23,000 due to less cemetery activities.
- Township hall expenditures budget was decreased by \$25,000 due to a conservative budget in which the Township did not spend as much on building repairs as anticipated.
- Professional services budget was increased by \$15,000 due to additional legal costs.
- Transfers out budget was increased by \$192,172 as the subsidy to the Fire Fund was expected to be higher.

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

- Licenses and permits were under the final budget by \$24,111 due to slightly lower building activity than budgeted.
- Intergovernmental revenues – Local were under the final budget by \$23,122 as not all senior resource funding was spent.
- Investment earnings revenues were over budget by \$24,798 due to higher interest rates.
- Sheriff expenditures were under budget by \$83,187 as the Township budgeted for a second County deputy but the second deputy did not start until later in the year.
- Senior services expenditures were under budget by \$40,163 as less work was done than expected.
- Capital outlay expenditures were under the final budget by \$39,849 as some purchases were delayed.
- Transfers out were under the final budget by \$187,068 as the General Fund did not need to transfer the entire amount budgeted 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, 2023 totaled \$5,197,193 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, office equipment, equipment, utility systems and vehicles.

Capital asset additions during the current year included a fire truck and improvements to a lift station.

Capital Assets (Net of Accumulated Depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Land	\$ 233,707	\$ 233,707	\$ 7,934	\$ 7,934	\$ 241,641	\$ 241,641
Construction in progress	-	-	49,262	6,159	49,262	6,159
Land improvements	129,537	149,030	-	-	129,537	149,030
Buildings and improvements	1,943,614	2,011,808	5,352	5,818	1,948,966	2,017,626
Utility systems	-	-	1,367,257	1,422,014	1,367,257	1,422,014
Equipment	114,900	132,019	8,937	41,881	123,837	173,900
Office equipment	634	1,396	-	-	634	1,396
Vehicles	616,029	323,589	-	-	616,029	323,589
Access rights	-	-	720,030	781,234	720,030	781,234
Total	\$ 3,038,421	\$ 2,851,549	\$ 2,158,772	\$ 2,265,040	\$ 5,197,193	\$ 5,116,589

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

Long-Term Debt

At June 30, 2023, the Township had total outstanding debt of \$2,885,890 consisting of general obligation bonds and compensated absences.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligations						
bonds	\$ 1,747,376	\$ 1,832,376	\$ 1,108,229	\$ 1,168,214	\$ 2,855,605	\$ 3,000,590
Compensated absences	24,744	87,692	5,541	6,543	30,285	94,235
Total	\$ 1,772,120	\$ 1,920,068	\$ 1,113,770	\$ 1,174,757	\$ 2,885,890	\$ 3,094,825

The Township's total debt decreased by \$208,935 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 H of the "Notes to Financial Statements" of this report.

In addition, as of June 30, 2023, the Township had \$10,615 of long-term other post-employment benefits (OPEB) liabilities. Additional information on the Township's OPEB liabilities can be found in Note K 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 2024, the Township budgeted both revenue streams to have small increases.

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 \$150,000 have been budgeted as the Township continues to work to improve the quality of its roads although this amount may change as final costs are determined. The Township has also budgeted \$100,000 for the Township's retiree healthcare plan. The only capital outlay budgeted is \$20,000 for the Pine Ridge Park pavilion and \$5,000 for Sunset Beach improvements. As part of its budget, the Township has appropriated \$295,204 to transfer to the Fire Fund to support fire operations.

In the Fire Fund, operations are expected to be fairly similar to last year other than a reduction due to one-time early-retirement costs in the prior year that are not expected to reoccur. No significant capital purchases are budgeted for the current year. The Township is currently planning to purchase a new fire truck in fiscal 2025.

The Township's street light millage was not renewed by voters this past year. The Township operated its street light system with reserves but will need to have the millage renewed or fund the removal of its street lights in the near future.

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 continuously evaluates the costs and needs of the Sewer Fund and adjusts rates as necessary. The Township is planning to rebuild the Hazekamp lift station in fiscal 2024 at a cost of approximately \$1,000,000. This project will primarily be funded with a portion of its American Rescue Plan Act (ARPA) grant funds.

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, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and investments	\$ 5,720,833	\$ 1,337,168	\$ 7,058,001
Receivables			
Accounts	32,766	326,114	358,880
Leases	19,113	-	19,113
Due from other governmental units	395,801	-	395,801
Prepaid items	40,075	9,101	49,176
Total current assets	6,208,588	1,672,383	7,880,971
Noncurrent assets			
Special assessments receivable, less amounts due within one year	-	1,300	1,300
Leases receivable, less amounts due within one year	304,817	-	304,817
Capital assets, net			
Nondepreciable	233,707	57,196	290,903
Depreciable	2,804,714	2,101,576	4,906,290
Total noncurrent assets	3,343,238	2,160,072	5,503,310
Total assets	9,551,826	3,832,455	13,384,281
DEFERRED OUTFLOWS OF RESOURCES			
Related to other postemployment benefits	124,285	16,948	141,233
Total assets and deferred outflows of resources	9,676,111	3,849,403	13,525,514
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	175,968	21,530	197,498
Due to other governmental units	32,437	89,491	121,928
Unearned revenues - expenditure-driven grants	1,136,658	-	1,136,658
Bonds and other obligations, due within one year	74,744	58,541	133,285
Total current liabilities	1,419,807	169,562	1,589,369
Noncurrent liabilities			
Bonds and other obligations, less amounts due within one year	1,697,376	1,055,229	2,752,605
Net other postemployment benefits liability	9,341	1,274	10,615
Total noncurrent liabilities	1,706,717	1,056,503	2,763,220
Total liabilities	3,126,524	1,226,065	4,352,589
DEFERRED INFLOWS OF RESOURCES			
Related to leases	323,930	-	323,930
Related to other postemployment benefits	439,136	59,882	499,018
Total deferred inflows of resources	763,066	59,882	822,948
Total liabilities and deferred inflows of resources	3,889,590	1,285,947	5,175,537
NET POSITION			
Net investment in capital assets	1,291,045	1,050,543	2,341,588
Restricted			
Debt service	147,777	-	147,777
Fire operations	29,630	-	29,630
Street lights	292,360	-	292,360
Festival	30,488	-	30,488
Employee health insurance	16,749	5,402	22,151
Unrestricted	3,978,472	1,507,511	5,485,983
Total net position	\$ 5,786,521	\$ 2,563,456	\$ 8,349,977

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF ACTIVITIES
For the year ended June 30, 2023

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	\$ 795,704	\$ 94,506	\$ 2,110	\$ 200	\$ (698,888)	\$ -	\$ (698,888)
Public safety	1,459,502	215,109	-	-	(1,244,393)	-	(1,244,393)
Public works	369,486	34,232	7,769	-	(327,485)	-	(327,485)
Health and welfare	8,979	-	8,979	-	-	-	-
Community and economic development	5,953	-	-	-	(5,953)	-	(5,953)
Culture and recreation	276,841	77,533	-	-	(199,308)	-	(199,308)
Interest on long-term obligations	60,341	-	-	-	(60,341)	-	(60,341)
Total governmental activities	2,976,806	421,380	18,858	200	(2,536,368)	-	(2,536,368)
Business-type activities							
Sewer	946,583	971,660	47,893	10,400	-	83,370	83,370
Total government	\$ 3,923,389	\$ 1,393,040	\$ 66,751	\$ 10,600	(2,536,368)	83,370	(2,452,998)
General revenues							
Property taxes, levied for							
General purposes					368,421	-	368,421
Specific purposes					955,132	-	955,132
Franchise fees					121,625	-	121,625
Grants and contributions not restricted to specific programs					1,400,132	-	1,400,132
Unrestricted investment earnings					109,093	23,733	132,826
Miscellaneous					6,692	-	6,692
Total general revenues					2,961,095	23,733	2,984,828
Change in net position					424,727	107,103	531,830
Net position at beginning of year					5,361,794	2,456,353	7,818,147
Net position at end of year					\$ 5,786,521	\$ 2,563,456	\$ 8,349,977

The accompanying notes are an integral part of this statement.

Egelston Township
BALANCE SHEET
 Governmental Funds
 June 30, 2023

	General Fund	Fire Fund	Street Light Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 5,210,850	\$ 7,215	\$ 303,567	\$ 199,201	\$ 5,720,833
Receivables					
Accounts	30,723	2,013	16	14	32,766
Leases	323,930	-	-	-	323,930
Due from other governmental units	395,801	-	-	-	395,801
Due from other funds	-	76,013	-	-	76,013
Prepaid items	14,445	25,630	-	-	40,075
Total assets	\$ 5,975,749	\$ 110,871	\$ 303,583	\$ 199,215	\$ 6,589,418
LIABILITIES					
Accounts payable	\$ 35,922	\$ 30,675	\$ 11,223	\$ 10,850	\$ 88,670
Accrued liabilities	33,847	43,351	-	-	77,198
Due to other governmental units	32,437	-	-	-	32,437
Due to other funds	76,013	-	-	-	76,013
Unearned revenues - expenditure-driven grants	1,136,658	-	-	-	1,136,658
Total liabilities	1,314,877	74,026	11,223	10,850	1,410,976
DEFERRED INFLOWS OF RESOURCES					
Related to leases	323,930	-	-	-	323,930
FUND BALANCES					
Nonspendable - prepaid items	14,445	25,630	-	-	40,075
Restricted					
Debt service	-	-	-	157,877	157,877
Fire protection	-	4,000	-	-	4,000
Street lights	-	-	292,360	-	292,360
Festival	-	-	-	30,488	30,488
Employee health insurance	9,534	7,215	-	-	16,749
Committed					
Community center improvements	276,286	-	-	-	276,286
Park improvements	18,061	-	-	-	18,061
Cemetery expansion and improvements	8,000	-	-	-	8,000
Townhall and library capital improvements	25,000	-	-	-	25,000
Fire vehicle	70,000	-	-	-	70,000
Other capital improvements	428,390	-	-	-	428,390
Assigned - subsequent year's budget appropriations	226,488	-	-	-	226,488
Unassigned	3,260,738	-	-	-	3,260,738
Total fund balances	4,336,942	36,845	292,360	188,365	4,854,512
Total liabilities and fund balances	\$ 5,975,749	\$ 110,871	\$ 303,583	\$ 199,215	\$ 6,589,418

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, 2023

Total fund balance—governmental funds \$ 4,854,512

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	\$ 5,807,122	
Accumulated depreciation	<u>(2,768,701)</u>	3,038,421

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	(10,100)	
Bonds payable	(1,747,376)	
Compensated absences	(24,744)	
Other postemployment benefits and related deferred outflows/inflows of resources	<u>(324,192)</u>	<u>(2,106,412)</u>

Net position of governmental activities	<u><u>\$ 5,786,521</u></u>
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The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended June 30, 2023

	General Fund	Fire Fund	Street Light Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 368,545	\$ 641,910	\$ 171,122	\$ 142,099	\$ 1,323,676
Licenses and permits	349,589	-	-	-	349,589
Intergovernmental revenues					
Federal	2,110	-	-	-	2,110
State	1,288,596	49,347	34,269	28,120	1,400,332
Local	8,979	-	-	-	8,979
Charges for services	72,094	62,597	-	14,679	149,370
Fines and forfeitures	526	-	-	-	526
Investment earnings	105,798	50	1,834	1,412	109,094
Other	51,975	5,079	-	800	57,854
Total revenues	<u>2,248,212</u>	<u>758,983</u>	<u>207,225</u>	<u>187,110</u>	<u>3,401,530</u>
EXPENDITURES					
Current					
General government	898,064	-	-	-	898,064
Public safety	321,487	1,098,244	-	-	1,419,731
Public works	217,876	-	132,486	-	350,362
Health and welfare	8,979	-	-	-	8,979
Community and economic development	5,952	-	-	-	5,952
Culture and recreation	233,335	-	-	29,809	263,144
Debt service					
Principal	-	-	-	85,000	85,000
Interest and fees	-	-	-	60,541	60,541
Capital outlay	5,151	377,488	-	-	382,639
Total expenditures	<u>1,690,844</u>	<u>1,475,732</u>	<u>132,486</u>	<u>175,350</u>	<u>3,474,412</u>
Excess of revenues over (under) expenditures	557,368	(716,749)	74,739	11,760	(72,882)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	611,565	-	-	611,565
Transfers out	(611,565)	-	-	-	(611,565)
Total other financing sources (uses)	<u>(611,565)</u>	<u>611,565</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(54,197)	(105,184)	74,739	11,760	(72,882)
Fund balances at beginning of year	4,391,139	142,029	217,621	176,605	4,927,394
Fund balances at end of year	<u>\$ 4,336,942</u>	<u>\$ 36,845</u>	<u>\$ 292,360</u>	<u>\$ 188,365</u>	<u>\$ 4,854,512</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, 2023

Net change in fund balances—total governmental funds \$ (72,882)

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	\$ (195,767)	
Capital outlay	<u>382,639</u>	186,872

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		85,000
Change in accrued interest payable		200

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	62,948	
Change in other postemployment benefits and related deferred outflows/inflows of resources	<u>162,589</u>	<u>225,537</u>

Change in net position of governmental activities		<u><u>\$ 424,727</u></u>
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The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF NET POSITION
 Proprietary Fund
 June 30, 2023

	<u>Business-type Activities - Enterprise Fund Sewer</u>
ASSETS	
Current assets	
Cash and investments	\$ 1,337,168
Receivables	
Accounts	325,464
Special assessments	650
Prepaid items	9,101
Total current assets	<u>1,672,383</u>
Noncurrent assets	
Special assessments receivable, less amounts due within one year	1,300
Capital assets	
Land	7,934
Construction in progress	49,262
Buildings	18,613
Utility system	9,462,137
Equipment	345,621
Vehicles	16,667
Access rights	1,674,280
Less accumulated depreciation and amortization	<u>(9,415,742)</u>
Net capital assets	<u>2,158,772</u>
Total noncurrent assets	<u>2,160,072</u>
Total assets	3,832,455
DEFERRED OUTFLOWS OF RESOURCES	
Related to other postemployment benefits	<u>16,948</u>
Total assets and deferred outflows of resources	3,849,403
LIABILITIES	
Current liabilities	
Accounts payable	3,380
Accrued liabilities	18,150
Due to other governmental units	89,491
Bonds and other obligations, due within one year	<u>58,541</u>
Total current liabilities	169,562
Noncurrent liabilities	
Bonds and other obligations, less amounts due within one year	1,055,229
Net other postemployment benefits liability	<u>1,274</u>
Total noncurrent liabilities	<u>1,056,503</u>
Total liabilities	1,226,065
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	<u>59,882</u>
Total liabilities and deferred inflows of resources	<u>1,285,947</u>
NET POSITION	
Net investment in capital assets	1,050,543
Restricted for employee health insurance	5,402
Unrestricted	<u>1,507,511</u>
Total net position	<u><u>\$ 2,563,456</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, 2023

	Business-type Activities - Enterprise Fund Sewer
OPERATING REVENUES	
Charges for services	\$ 971,660
Operating grant	47,893
Total operating revenues	1,019,553
OPERATING EXPENSES	
Administration	33,928
Operations	710,639
Depreciation and amortization	159,871
Total operating expenses	904,438
Operating income (loss)	115,115
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	23,733
Connection fees	10,400
Loss on disposal of capital assets	(1,595)
Interest expense	(40,550)
Total nonoperating revenues (expenses)	(8,012)
Change in net position	107,103
Net position at beginning of year	2,456,353
Net position at end of year	\$ 2,563,456

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF CASH FLOWS
 Proprietary Fund
 For the year ended June 30, 2023

	<u>Business-type Activities - Enterprise Fund Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 980,851
Receipts from operating grant	47,893
Receipts from interfund services provided	6,918
Payments to suppliers	(628,211)
Payments to employees	(147,287)
	260,164
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Connection fees	11,050
Purchases of capital assets	(57,424)
Principal paid on capital debt	(50,389)
Interest paid on capital debt	(50,546)
Proceeds from sales of capital assets	2,226
	(145,083)
CASH FLOW FROM INVESTING ACTIVITIES	
Investment earnings	23,733
	138,814
Cash and investments at beginning of year	1,198,354
Cash and investments at end of year	\$ 1,337,168
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ 115,115
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation and amortization expense	159,871
Change in assets and liabilities	
Receivables	16,109
Prepaid items	1,388
Accounts payable	(7,813)
Accrued liabilities	(22,229)
Due to other governmental units	(2,277)
	\$ 260,164

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF NET POSITION
 Fiduciary Funds
 June 30, 2023

	Other Post- Employment Benefit Trust Fund	Custodial Funds	
		Trust and Agency	Current Tax
ASSETS			
Cash	\$ -	\$ 1,947	\$ -
Investments			
Money market	1,591	-	-
Mutual funds - equity	771,397	-	-
Mutual funds - fixed income	221,464	-	-
Receivables	-	3,753	-
Total assets	994,452	5,700	-
LIABILITIES			
Due to other governmental units	-	4,933	-
Other liabilities	-	767	-
Total liabilities	-	5,700	-
NET POSITION			
Restricted for other post-employment benefits	\$ 994,452	\$ -	\$ -

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, 2023

	Other Post- Employment Benefit Trust Fund	Custodial Funds	
		Trust and Agency	Current Tax
ADDITIONS			
Property tax collections for other governments	\$ -	\$ -	\$ 7,310,058
Escrow deposits received	-	1,320,954	-
Employer contributions	141,052	-	-
Investment earnings (loss)	117,106	-	-
Total additions	258,158	1,320,954	7,310,058
DEDUCTIONS			
Payments of property taxes to other governments	-	-	7,310,058
Escrow deposits returned	-	1,320,954	-
Benefit payments	41,052	-	-
Administrative expenses	5,393	-	-
Total deductions	46,445	1,320,954	7,310,058
Change in net position	211,713	-	-
Net position at beginning of year	782,739	-	-
Net position at end of year	\$ 994,452	\$ -	\$ -

The accompanying notes are an integral part of this statement.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023

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 Funds are 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, 2023

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 Fund is 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, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Leases Receivable

The Township is a lessor for certain noncancelable leases. The Township recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements for each lease.

At the commencement of a lease, the Township initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the Township determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The Township uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Township monitors changes in circumstances that would require a remeasurement of a lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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.

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	5-25
Vehicles	5-15
Access rights	20

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township also reports unavailable revenues from one source: leases. These amounts are long-term leases entered into by the Township in which the Township is the lessor. These amounts are recognized as revenue over the term of the lease agreements.

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.

Net Position Policies

The Township Board has taken formal action to set aside \$500,000 in the Sewer Fund future capital improvements to the sewer system.

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.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

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.

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).

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Property Taxes—Continued

The 2022 state taxable value for real/personal property of the Township totaled approximately \$220,104,000. The ad valorem taxes levied consisted of 1.1326, 2.8908, .64, and 0.7707 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, 2023

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2023, the Township had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)	S&P	Percent
External investment pool	\$ 3,456,801	77	AAAm	100.0 %
OPEB Trust				
Money market	1,591	30	N/A	0.0
Mutual funds - equity	771,397	N/A	N/A	N/A
Mutual funds - fixed income	221,464	N/A	N/A	N/A
Total fair value	<u>\$ 4,451,253</u>			<u>100.0 %</u>
Portfolio weighted average maturity		<u>N/A</u>		

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

Deposit and Investment Risks

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

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, 2023, \$2,904,323 of the Township's bank balance of \$3,625,241 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

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. At June 30, 2023, \$68,335 of the Township’s total investment portfolio was held in foreign equities.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 has 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, 2023.

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

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

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

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023:

	Assets at Fair Value as of June 30, 2023			
	Level 1	Level 2	Level 3	Total
External investment pool	\$ -	\$ 3,456,801	\$ -	\$ 3,456,801
OPEB Trust				
Money market	-	1,591	-	1,591
Mutual funds - equity	771,397	-	-	771,397
Mutual funds - fixed income	221,464	-	-	221,464
Total assets at fair value	\$ 992,861	\$ 3,458,392	\$ -	\$ 4,451,253

NOTE E—LEASE RECEIVABLE

The Township leases the right to use space on land owned by the Township to a third party for the operation of cell phone antennas. The lease term is 5 years and the Township receives monthly payments of \$1,983, increasing by 3 percent each year. The lease has several 5-year renewal terms at the leasee’s discretion through January 2061. The Township has recorded a receivable through January 2036, the period that it is reasonably certain that the lease will exercise those options, based on all relevant factors. The Township recognized \$18,113 in lease revenue and \$5,342 in interest revenue during the year ended June 30, 2023. The Township has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$323,930.

The future minimum payments to be received for this lease are as follows:

Year Ending June 30,	Principal	Interest
2024	\$ 19,113	\$ 5,045
2025	20,152	4,731
2026	21,228	4,401
2027	22,345	4,053
2028	23,503	3,687
2029-2033	136,424	12,263
2034-2037	81,165	1,708
	\$ 323,930	\$ 35,888

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE F—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 233,707	\$ -	\$ -	\$ 233,707
Capital assets, being depreciated:				
Land improvements	504,688	-	-	504,688
Buildings and improvements	3,069,692	-	-	3,069,692
Equipment	417,316	5,151	-	422,467
Office equipment	56,836	-	-	56,836
Vehicles	1,142,244	377,488	-	1,519,732
Total capital assets, being depreciated	5,190,776	382,639	-	5,573,415
Less accumulated depreciation:				
Land improvements	355,658	19,493	-	375,151
Buildings and improvements	1,057,884	68,194	-	1,126,078
Equipment	285,297	22,270	-	307,567
Office equipment	55,440	762	-	56,202
Vehicles	818,655	85,048	-	903,703
Total accumulated depreciation	2,572,934	195,767	-	2,768,701
Total capital assets, being depreciated, net	2,617,842	186,872	-	2,804,714
Capital assets, net	\$ 2,851,549	\$ 186,872	\$ -	\$ 3,038,421

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE F—CAPITAL ASSETS—Continued

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2023</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 7,934	\$ -	\$ -	\$ 7,934
Construction in process	6,158	43,104	-	49,262
Total capital assets, not being depreciated	14,092	43,104	-	57,196
Capital assets, being depreciated:				
Buildings and improvements	18,613	-	-	18,613
Utility systems	9,456,307	14,320	8,490	9,462,137
Equipment	348,894	-	3,273	345,621
Vehicles	16,667	-	-	16,667
Access rights	1,674,280	-	-	1,674,280
Total capital assets, being depreciated	11,514,761	14,320	11,763	11,517,318
Less accumulated depreciation:				
Buildings and improvements	12,795	466	-	13,261
Utility systems	8,034,293	65,256	4,669	8,094,880
Equipment	307,012	32,945	3,273	336,684
Vehicles	16,667	-	-	16,667
Access rights	893,046	61,204	-	954,250
Total accumulated depreciation	9,263,813	159,871	7,942	9,415,742
Total capital assets, being depreciated, net	2,250,948	(145,551)	3,821	2,101,576
Capital assets, net	\$ 2,265,040	\$ (102,447)	\$ 3,821	\$ 2,158,772

Depreciation

Depreciation expense has been charged to functions as follows:

Governmental activities:

General government	\$ 32,268
Public safety	130,679
Public works	19,123
Culture and recreation	13,697
	<u>\$ 195,767</u>

Business-type activities:

Sewer	<u>\$ 159,871</u>
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Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE G—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due To/Due From Other Funds:

The General Fund owes the Fire Fund \$76,013. The outstanding balance between the funds results from the remainder of a transfer to subsidize Fire Fund operations.

Interfund Transfers:

The General Fund transferred \$611,565 to the Fire Fund as an operation and capital subsidy.

NOTE H—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, 2023:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Direct borrowings and direct placements					
General obligation bonds	\$ 1,832,376	\$ -	\$ 85,000	\$ 1,747,376	\$ 50,000
Compensated absences	87,692	67,729	130,677	24,744	24,744
Governmental activities long-term liabilities	<u>\$ 1,920,068</u>	<u>\$ 67,729</u>	<u>\$ 215,677</u>	<u>\$ 1,772,120</u>	<u>\$ 74,744</u>
Business-type activities:					
Direct borrowings and direct placements					
General obligation bonds	\$ 1,084,597	\$ -	\$ 50,389	\$ 1,034,208	\$ 53,000
Premium	83,617	-	9,596	74,021	-
Compensated absences	6,543	17,446	18,448	5,541	5,541
Business-type activities long-term liabilities	<u>\$ 1,174,757</u>	<u>\$ 17,446</u>	<u>\$ 78,433</u>	<u>\$ 1,113,770</u>	<u>\$ 58,541</u>

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

	<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 2042	<u>\$ 1,747,376</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>\$ 1,034,208</u>

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE H—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

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, 2023 was approximately \$141,000. 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, 2023.

Annual debt service requirements to maturity for debt outstanding as of June 30, 2023 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>
2024	\$ 50,000	\$ 58,974	\$ 53,000	\$ 47,965
2025	55,000	57,286	56,000	45,249
2026	60,000	55,430	59,000	42,389
2027	65,000	53,405	62,000	39,692
2028	70,000	51,211	64,000	37,074
2029-2033	400,000	218,932	370,000	139,089
2034-2038	550,000	141,307	370,208	38,441
2039-2042	497,376	39,979	-	-
	\$ 1,747,376	\$ 676,524	\$ 1,034,208	\$ 389,899

NOTE I—OTHER INFORMATION

Risk Management

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE I—OTHER INFORMATION—Continued

Risk Management—Continued

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

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

Contingent Liabilities

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

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 J—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, 2023, the Township recognized pension expense of \$121,491.

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, 2023 there were no forfeitures.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE K—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, 2022 valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Active employees	14
Total employees covered by OPEB Plan	21

Contributions

The OPEB Plan was established and is being funded under the authority of the Township. The OPEB Plan’s funding policy is that the Township will contribute \$100,000 annually for the next three years while continuing to pay retiree benefits 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, 2023, the Township made payments for postemployment healthcare benefits for current retirees of \$41,052. 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, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022 which was rolled forward to June 30, 2023.

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	Included in investment rate of return
Salary increases	3.0 percent
Investment rate of return	7.45 percent (including inflation), net of administrative and investment expenses
Healthcare cost trend rates	Pre-Medicare: 7.25 percent for two years, then graded down by .25 percent per year to an ultimate rate of 4.5 percent Post-Medicare: 5.5 percent for two years, then graded down by .25 percent per year to an ultimate rate of 4.5 percent

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE K—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Actuarial Assumptions—Continued

Mortality

Mortality rates were as set forth in the Public Safety and Public General 2010 Employee and Healthy Retiree, headcount weighted, with MP 2021 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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	64.0%	9.00%
Global fixed income	26.0%	4.70%
Real assets	5.0%	6.40%
Diversifying strategies	5.0%	3.00%

The sum of each target allocation times its long-term expected rate, plus inflation, is 7.45 percent.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.45 percent. The projection of cash flows used to determine the discount rate assumed that the Township will make annual contributions of \$100,000 and will continue to pay benefits from general operating funds for three years. At that point, benefit will be paid from the trust. 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”, not applicable to this plan), 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 5.54 percent.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE K—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Position (b)	Net OPEB Liability (a)-(b)
Balance at beginning of year	\$ 1,195,976	\$ 782,739	\$ 413,237
Changes for the year			
Service cost	28,968	-	28,968
Interest	66,725	-	66,725
Experience (gains)/losses	(4,131)	-	(4,131)
Changes of assumptions	(241,419)	-	(241,419)
Contributions - employer	-	141,052	(141,052)
Net investment income	-	116,242	(116,242)
Administrative expenses	-	(4,529)	4,529
Benefit payments including refund of employee contributions	(41,052)	(41,052)	-
Net changes	(190,909)	211,713	(402,622)
Balance at end of year	\$ 1,005,067	\$ 994,452	\$ 10,615

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 7.45 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 (6.45 percent) or 1-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Township's net OPEB liability (asset)	\$ 119,428	\$ 10,615	\$ (81,917)

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE K—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 7.25 percent, decreasing to 4.5 percent and Medicare eligible of 5.5 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 (6.25 percent decreasing to 3.5 percent or 4.5 percent decreasing to 3.5 percent) or 1-percentage-point higher (8.25 percent decreasing to 5.5 percent or 6.5 percent decreasing to 5.5 percent) than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Township's net OPEB liability (asset)	\$ (62,684)	\$ 10,615	\$ 94,455

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, 2023, the Township recognized OPEB expense (benefit) of \$(43,708). At June 30, 2023, 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	\$ -	\$ 209,476
Changes in assumptions	137,546	289,542
Net difference between projected and actual net investment income	3,687	-
Total	\$ 141,233	\$ 499,018

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE K—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
2024	\$ (96,691)
2025	(102,649)
2026	(76,863)
2027	(81,582)

Payables to the OPEB Plan

At June 30, 2023, 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 3 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, 2023, Township contributions were \$12,121.

NOTE L—ECONOMIC DEPENDENCY

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

NOTE M—COMMITMENTS

At June 30, 2023, the Township has committed \$472,223 to purchase a new fire truck.

REQUIRED SUPPLEMENTARY INFORMATION

Egelston Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 360,851	\$ 370,277	\$ 368,545	\$ (1,732)
Licenses and permits	348,700	373,700	349,589	(24,111)
Intergovernmental revenues				
Federal	-	2,111	2,110	(1)
State	1,187,239	1,306,723	1,288,596	(18,127)
Local	-	32,101	8,979	(23,122)
Charges for services	111,880	88,880	72,094	(16,786)
Fines and forfeitures	700	700	526	(174)
Investment earnings	15,000	81,000	105,798	24,798
Other	58,085	59,660	51,975	(7,685)
Total revenues	<u>2,082,455</u>	<u>2,315,152</u>	<u>2,248,212</u>	<u>(66,940)</u>
EXPENDITURES				
Current				
General government				
Township board	39,140	39,140	32,447	6,693
Supervisor	81,930	81,930	74,284	7,646
Elections	21,012	23,023	21,015	2,008
Assessor	69,350	69,350	68,875	475
Board of review	3,375	3,375	1,702	1,673
Clerk	170,860	170,860	165,572	5,288
Treasurer	142,095	142,095	131,070	11,025
Township hall	174,663	149,663	133,647	16,016
Professional services	34,400	49,400	42,971	6,429
Personal services	190,225	190,225	179,757	10,468
Medical marihuana committee	6,492	6,492	-	6,492
Other services and charges	53,080	55,446	46,724	8,722
Public safety				
Sheriff	210,000	210,000	126,813	83,187
Inspection department	202,275	206,519	194,674	11,845
Public works				
Drains	11,800	11,800	9,949	1,851
Roads	153,500	153,500	149,096	4,404
Landfill	6,065	8,165	8,043	122
Cemetery	60,625	60,625	50,788	9,837
Health and welfare				
Senior services	49,142	49,142	8,979	40,163
Community and economic development				
Planning	9,445	9,445	4,548	4,897
Zoning board of appeals	1,380	1,880	1,404	476
Economic development	100	100	-	100
Culture and recreation				
Recreation programs	53,816	53,816	44,751	9,065
Parks maintenance	173,244	173,244	165,463	7,781
Library	23,770	25,770	23,121	2,649
Capital outlay	53,500	45,000	5,151	39,849
Total expenditures	<u>1,995,284</u>	<u>1,990,005</u>	<u>1,690,844</u>	<u>299,161</u>
Excess of revenues over (under) expenditures	87,171	325,147	557,368	232,221
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	1,000	1,000	-	(1,000)
Transfers out	(606,461)	(798,633)	(611,565)	187,068
Total other financing sources (uses)	<u>(605,461)</u>	<u>(797,633)</u>	<u>(611,565)</u>	<u>186,068</u>
Net change in fund balance	<u>\$ (518,290)</u>	<u>\$ (472,486)</u>	(54,197)	<u>\$ 418,289</u>
Fund balance at beginning of year			4,391,139	
Fund balance at end of year			<u>\$ 4,336,942</u>	

Egelston Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Fire Fund
For the year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 645,899	\$ 645,899	\$ 641,910	\$ (3,989)
Intergovernmental revenue - State	-	49,347	49,347	-
Charges for services	61,500	64,098	62,597	(1,501)
Investment earnings	6	6	50	44
Other	-	3,500	5,079	1,579
Total revenues	<u>707,405</u>	<u>762,850</u>	<u>758,983</u>	<u>(3,867)</u>
EXPENDITURES				
Current				
Public safety	916,466	1,164,083	1,098,244	65,839
Capital outlay	397,400	397,400	377,488	19,912
Total expenditures	<u>1,313,866</u>	<u>1,561,483</u>	<u>1,475,732</u>	<u>85,751</u>
Excess of revenues over (under) expenditures	(606,461)	(798,633)	(716,749)	81,884
OTHER FINANCING SOURCES				
Transfers in	606,461	798,633	611,565	(187,068)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(105,184)	<u>\$ (105,184)</u>
Fund balance at beginning of year			<u>142,029</u>	
Fund balance at end of year			<u>\$ 36,845</u>	

Egelston Township
 Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
 Street Light Fund
 For the year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 172,267	\$ 172,267	\$ 171,122	\$ (1,145)
Intergovernmental revenue - State	-	34,270	34,269	(1)
Investment earnings	450	1,710	1,834	124
Total revenues	172,717	208,247	207,225	(1,022)
EXPENDITURES				
Current				
Public works	146,700	146,700	132,486	14,214
Net change in fund balance	<u>\$ 26,017</u>	<u>\$ 61,547</u>	74,739	<u>\$ 13,192</u>
Fund balance at beginning of year			<u>217,621</u>	
Fund balance at end of year			<u>\$ 292,360</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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY						
Service cost	\$ 28,968	\$ 25,783	\$ 28,083	\$ 30,491	\$ 40,178	\$ 38,015
Interest	66,725	77,327	75,825	83,145	73,978	70,105
Differences between expected and actual experience	(4,131)	(155,141)	(9,388)	(195,363)	(7,515)	-
Changes of assumptions	(241,419)	186,362	(53,364)	32,150	(170,234)	-
Benefit payments, including refunds of employee contributions	(41,052)	(34,486)	(34,898)	(35,695)	(42,441)	(42,001)
Net change in total OPEB liability	(190,909)	99,845	6,258	(85,272)	(106,034)	66,119
Total OPEB liability at beginning of year	1,195,976	1,096,131	1,089,873	1,175,145	1,281,179	1,215,060
Total OPEB liability at end of year (a)	\$ 1,005,067	\$ 1,195,976	\$ 1,096,131	\$ 1,089,873	\$ 1,175,145	\$ 1,281,179
PLAN FIDUCIARY NET POSITION						
Contributions-employer	\$ 141,052	\$ 134,486	\$ 134,898	\$ 135,695	\$ 142,441	\$ 117,001
Net investment income	116,242	(112,870)	172,296	3,715	20,925	20,623
Benefit payments, including refunds or employee contributions	(41,052)	(34,486)	(34,898)	(35,695)	(42,441)	(42,001)
Administrative expense	(4,529)	(4,248)	(3,701)	(2,448)	(1,869)	(1,383)
Net change in plan fiduciary net position	211,713	(17,118)	268,595	101,267	119,056	94,240
Plan fiduciary net position at beginning of year	782,739	799,857	531,262	429,995	310,939	216,699
Plan fiduciary net position at end of year (b)	\$ 994,452	\$ 782,739	\$ 799,857	\$ 531,262	\$ 429,995	\$ 310,939
Township's net OPEB liability at end of year (a)-(b)	\$ 10,615	\$ 413,237	\$ 296,274	\$ 558,611	\$ 745,150	\$ 970,240
Plan fiduciary net position as a percentage of the total OPEB liability	98.94%	65.45%	72.97%	48.75%	36.59%	24.27%
Covered employee payroll	\$ 848,307	\$ 789,467	\$ 788,582	\$ 765,603	\$ 810,511	Not Available
Township's net OPEB liability as a percentage of covered employee payroll	1.25%	52.34%	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 CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS—Continued
Last Ten Fiscal Years (Amounts were determined as of June 30 of each fiscal year)

Notes to Schedule—Continued

The following were significant changes to actuarial assumptions

2021 Valuation

Discount rate changed from 6.89 percent to 7.0 percent.

Medical and dental trend updated.

Mortality rates updated.

2022 Valuation

Salary scale updated from 3.5 percent to 3.0 percent.

Mortality improvement scale updated.

Discount rate updated from 7.0 percent to 5.54 percent.

2023 Valuation

Trend updated

Discount rate changed from 5.54 percent to 7.45 percent.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 90,118	\$ 67,098	\$ 99,937	\$ 121,783	\$ 133,804	\$ 129,336	\$ 131,586	\$ 131,586	\$ 170,432	\$ 170,432
Contributions in relation to the actuarially determined contribution	141,052	134,486	134,898	135,695	142,441	117,001	115,296	44,633	48,792	44,472
Contribution deficiency (excess)	\$ (50,934)	\$ (67,388)	\$ (34,961)	\$ (13,912)	\$ (8,637)	\$ 12,335	\$ 16,290	\$ 86,953	\$ 121,640	\$ 125,960
Covered employee payroll	\$ 848,307	\$ 789,467	\$ 788,582	\$ 765,603	\$ 810,511	Not Available	Not Available	Not Available	Not Available	Not Available
Contributions as percentage of covered employee payroll	16.6%	17.0%	17.1%	17.7%	17.6%	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, 2023.

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 9 years

Asset valuation method Equal to market value of assets

Inflation Included in investment rate of return

Salary increases 3.0 percent

Investment rate of return 7.45 percent (including inflation), net of administrative and investment expenses

Retirement age 60 years of age

Mortality Mortality rates were as set forth in the Public Safety and Public General 2010 Employee and Healthy Retiree, headcount weighted, with MP 2021 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)

	2023	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	14.00%	-13.31%	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, 2023

	Total Other Governmental Funds	Special Revenue Fund Festival	Debt Service Fund Fire Station Debt
ASSETS			
Cash and investments	\$ 199,201	\$ 41,338	\$ 157,863
Accounts receivable	14	-	14
Total assets	\$ 199,215	\$ 41,338	\$ 157,877
 LIABILITIES			
Accounts payable	\$ 10,850	\$ 10,850	\$ -
 FUND BALANCES			
Restricted			
Debt service	157,877	-	157,877
Festival	30,488	30,488	-
Total fund balances	188,365	30,488	157,877
Total liabilities and fund balances	\$ 199,215	\$ 41,338	\$ 157,877

Egelston Township
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
Other Governmental Funds
For the year ended June 30, 2023

	Total Other Governmental Funds	Special Revenue Fund <u>Festival</u>	Debt Service Fund <u>Fire Station Debt</u>
REVENUES			
Property taxes	\$ 142,099	\$ -	\$ 142,099
Intergovernmental revenues - State	28,120	-	28,120
Charges for services	14,679	14,679	-
Investment earnings	1,412	476	936
Other	800	800	-
	<hr/>	<hr/>	<hr/>
Total revenues	187,110	15,955	171,155
EXPENDITURES			
Current			
Culture and recreation	29,809	29,809	-
Debt service			
Principal	85,000	-	85,000
Interest and fees	60,541	-	60,541
	<hr/>	<hr/>	<hr/>
Total expenditures	175,350	29,809	145,541
Net change in fund balances	11,760	(13,854)	25,614
Fund balances at beginning of year	176,605	44,342	132,263
	<hr/>	<hr/>	<hr/>
Fund balances at end of year	\$ 188,365	\$ 30,488	\$ 157,877
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>