

Egelston Township
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

June 30, 2024



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, 2024, 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, 2024, 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 November 7, 2024, 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
November 7, 2024

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, 2024. 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, 2024, the Township's net position from governmental activities totaled \$6,243,926 (64%) and \$3,457,911 (36%) from business-type activities, creating a government-wide net position total of \$9,701,837.

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 \$4,593,898. 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 \$3,457,911 in net position, of which \$2,370,908 is unrestricted net position.

For governmental 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.

For business-type activities, current assets and other assets increased due to higher cash flow as a result of increased utility rates. 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 Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current assets and other assets	\$ 6,943,577	\$ 6,513,405	\$ 2,519,583	\$ 1,673,683	\$ 9,463,160	\$ 8,187,088
Capital assets	2,872,174	3,038,421	2,129,828	2,158,772	5,002,002	5,197,193
Total assets	9,815,751	9,551,826	4,649,411	3,832,455	14,465,162	13,384,281
Deferred outflows of resources	117,893	124,285	16,076	16,948	133,969	141,233
Total assets and deferred outflows of resources	9,933,644	9,676,111	4,665,487	3,849,403	14,599,131	13,525,514
Current liabilities	1,408,313	1,419,807	164,611	169,562	1,572,924	1,589,369
Noncurrent liabilities	1,590,058	1,706,717	990,256	1,056,503	2,580,314	2,763,220
Total liabilities	2,998,371	3,126,524	1,154,867	1,226,065	4,153,238	4,352,589
Deferred inflows of resources	691,347	763,066	52,709	59,882	744,056	822,948
Total liabilities and deferred inflows of resources	3,689,718	3,889,590	1,207,576	1,285,947	4,897,294	5,175,537
Net position						
Net investment in capital assets	1,249,798	1,291,045	1,083,572	1,050,543	2,333,370	2,341,588
Restricted	400,230	517,004	3,431	5,402	403,661	522,406
Unrestricted	4,593,898	3,978,472	2,370,908	1,507,511	6,964,806	5,485,983
Total net position	\$ 6,243,926	\$ 5,786,521	\$ 3,457,911	\$ 2,563,456	\$ 9,701,837	\$ 8,349,977

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			
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues						
Charges for services	\$ 438,621	\$ 421,380	\$ 1,487,499	\$ 971,660	\$ 1,926,120	\$ 1,393,040
Operating grants and contributions	27,280	18,858	-	-	27,280	18,858
Capital grants and contributions	300	200	91,824	10,400	92,124	10,600
General revenues						
Taxes	1,372,833	1,323,553	-	-	1,372,833	1,323,553
Franchise fees	109,619	121,625	-	-	109,619	121,625
Grants and contributions not restricted	1,400,522	1,400,132	109,276	47,893	1,509,798	1,448,025
Unrestricted investment earnings	218,891	109,093	72,877	23,733	291,768	132,826
Miscellaneous	24,889	6,692	-	-	24,889	6,692
Total revenues	3,592,955	3,401,533	1,761,476	1,053,686	5,354,431	4,455,219
Expenses:						
General government	820,800	795,704	-	-	820,800	795,704
Public safety	1,524,025	1,459,502	-	-	1,524,025	1,459,502
Public works	380,956	369,486	-	-	380,956	369,486
Health, welfare and sanitation	7,733	8,979	-	-	7,733	8,979
Community and economic development	5,320	5,953	-	-	5,320	5,953
Culture and recreation	340,601	276,841	-	-	340,601	276,841
Interest on long term debt	56,115	60,341	-	-	56,115	60,341
Sewer	-	-	867,021	946,583	867,021	946,583
Total expenses	3,135,550	2,976,806	867,021	946,583	4,002,571	3,923,389
Change in net position	457,405	424,727	894,455	107,103	1,351,860	531,830
Net position - Beginning	5,786,521	5,361,794	2,563,456	2,456,353	8,349,977	7,818,147
Net position - Ending	\$ 6,243,926	\$ 5,786,521	\$ 3,457,911	\$ 2,563,456	\$ 9,701,837	\$ 8,349,977

Governmental Activities

Property taxes increased due to growth in taxable value. Unrestricted investment earnings increased due to higher interest rates. Culture and recreation expenses increased due to higher personnel costs.

Business-type Activities

Charges for services increased due to an increase in utility rates and higher volume of pumping activity at the BOFORS site. Grants and contributions not restricted increased due to American Rescue Plan Act funds used for 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, 2024, the governmental funds reported a combined unassigned fund balance of \$3,343,866, 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 \$817,737 for various capital improvements and other anticipated projects and assigned fund balance for the subsequent year's budget appropriations in the amount of \$572,083.

The General Fund is the chief operating fund of the Township. At June 30, 2024, the General Fund fund balance was \$4,757,591, an increase of \$420,649 as a result of increase rate of return on investment and cashflow. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures and transfers. Unassigned fund balance represents 158 percent of the General Fund expenditures and transfers (142 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 \$894,455.

General Fund Budget

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

- The excise tax distribution revenues budget was increased by \$120,000 due to a new funding source in the current year.
- The intergovernmental revenues—Local budget was increased by \$33,874 due to monies received from the County during the year.
- The budget for investment earnings was increased by \$149,650 due to higher than expected market returns.
- The professional services expenditures budget was increased by \$20,000 due to additional litigation costs.

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

- Intergovernmental revenues – Local were under the final budget by \$26,141 as not all senior resource funding was spent.
- Change for services were under the final budget by \$25,363 due to somewhat lower cemetery activity than expected.
- Elections expenditures were under the final budget by \$23,812 as there was less activity in the current year than was included in the pro-forma budget amounts.
- Other services and charges expenditures were under the final budget by \$20,866 due to cleanup costs for leaf disposal site being less than expected.
- Licenses and permits revenues were under budget by \$29,119 and inspection department expenditures were under the final budget by \$38,192 due to lower than expected building activity.
- Senior services expenditures were under the final budget by \$41,409 due to less activity than expected.
- Parks maintenance expenditures were under the final budget by \$26,833 due to conservative budgeting.
- Capital outlay expenditures were under the final budget by \$26,100 due to some planned projects being delayed.
- Transfers out were under the final budget by \$89,339 as the General Fund did not need to transfer the entire amount budgeted to the Fire Fund to fund current operations.

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, 2024 totaled \$5,002,002 (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 building improvements and improvements to a lift station.

Capital Assets (Net of Accumulated Depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2024	2023	2024	2023	2024	2023
Land	\$ 233,707	\$ 233,707	\$ 7,934	\$ 7,934	\$ 241,641	\$ 241,641
Construction in progress	-	-	151,447	49,262	151,447	49,262
Land improvements	112,333	129,537	-	-	112,333	129,537
Buildings and improvements	1,875,419	1,943,614	4,887	5,352	1,880,306	1,948,966
Utility systems	-	-	1,300,836	1,367,257	1,300,836	1,367,257
Equipment	121,833	114,900	5,898	8,937	127,731	123,837
Office equipment	-	634	-	-	-	634
Vehicles	528,882	616,029	-	-	528,882	616,029
Access rights	-	-	658,826	720,030	658,826	720,030
Total	\$ 2,872,174	\$ 3,038,421	\$ 2,129,828	\$ 2,158,772	\$ 5,002,002	\$ 5,197,193

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, 2024, the Township had total outstanding debt of \$2,707,648 consisting of general obligation bonds and compensated absences.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
General obligations						
bonds	\$ 1,622,376	\$ 1,747,376	\$ 1,046,256	\$ 1,108,229	\$ 2,668,632	\$ 2,855,605
Compensated absences	34,976	24,744	4,040	5,541	39,016	30,285
Total	\$ 1,657,352	\$ 1,772,120	\$ 1,050,296	\$ 1,113,770	\$ 2,707,648	\$ 2,885,890

The Township's total debt decreased by \$178,242 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, 2024, the Township had \$169,563 of long-term other post-employment benefits (OPEB) assets. 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 2025, 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 \$276,500 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 parks maintenance equipment. As part of its budget, the Township has appropriated \$668,647 to transfer to the Fire Fund to support fire operations and capital projects.

In the Fire Fund, operations are expected to be fairly similar to last year other than a reduction in other services and charges due to one-time maintenance in the prior year that are not expected to reoccur. Capital outlay budgeted is \$472,223 related to the purchase of a new fire truck.

The Township's street light millage was passed for tax year 2024. For fiscal year 2024, the Township operated its street light system with reserves but will plan to fund operations with the renewed millage in fiscal year 2025.

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 continue to rebuild the Hazekamp lift station in fiscal 2025 at a total 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, 2024

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and investments	\$ 6,017,132	\$ 2,041,468	\$ 8,058,600
Receivables			
Accounts	27,911	453,973	481,884
Leases	20,152	-	20,152
Due from other governmental units	405,032	-	405,032
Prepaid items	39,470	3,144	42,614
Total current assets	6,509,697	2,498,585	9,008,282
Noncurrent assets			
Special assessments receivable, less amounts due within one year	-	650	650
Leases receivable, less amounts due within one year	284,665	-	284,665
Capital assets, net			
Nondepreciable	233,707	159,381	393,088
Depreciable	2,638,467	1,970,447	4,608,914
Net other post-employment benefits asset	149,215	20,348	169,563
Total noncurrent assets	3,306,054	2,150,826	5,456,880
Total assets	9,815,751	4,649,411	14,465,162
DEFERRED OUTFLOWS OF RESOURCES			
Related to other postemployment benefits	117,893	16,076	133,969
Total assets and deferred outflows of resources	9,933,644	4,665,487	14,599,131
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	145,141	17,059	162,200
Due to other governmental units	142,269	87,512	229,781
Unearned revenues—expenditure-driven grants	1,053,609	-	1,053,609
Bonds and other obligations, due within one year	67,294	60,040	127,334
Total current liabilities	1,408,313	164,611	1,572,924
Noncurrent liabilities			
Bonds and other obligations, less amounts due within one year	1,590,058	990,256	2,580,314
Total liabilities	2,998,371	1,154,867	4,153,238
DEFERRED INFLOWS OF RESOURCES			
Related to leases	304,817	-	304,817
Related to other postemployment benefits	386,530	52,709	439,239
Total deferred inflows of resources	691,347	52,709	744,056
Total liabilities and deferred inflows of resources	3,689,718	1,207,576	4,897,294
NET POSITION			
Net investment in capital assets	1,249,798	1,083,572	2,333,370
Restricted			
Debt service	145,681	-	145,681
Fire operations	28,859	-	28,859
Street lights	177,312	-	177,312
Festival	30,801	-	30,801
Employee health insurance	17,577	3,431	21,008
Unrestricted	4,593,898	2,370,908	6,964,806
Total net position	\$ 6,243,926	\$ 3,457,911	\$ 9,701,837

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF ACTIVITIES
For the year ended June 30, 2024

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	\$ 820,800	\$ 94,396	\$ 1,575	\$ 300	\$ (724,529)	\$ -	\$ (724,529)
Public safety	1,524,025	231,334	10,000	-	(1,282,691)	-	(1,282,691)
Public works	380,956	50,220	7,972	-	(322,764)	-	(322,764)
Health and welfare	7,733	-	7,733	-	-	-	-
Community and economic development	5,320	-	-	-	(5,320)	-	(5,320)
Culture and recreation	340,601	62,671	-	-	(277,930)	-	(277,930)
Interest on long-term obligations	56,115	-	-	-	(56,115)	-	(56,115)
Total governmental activities	3,135,550	438,621	27,280	300	(2,669,349)	-	(2,669,349)
Business-type activities							
Sewer	867,021	1,487,394	-	91,824	-	712,197	712,197
Total government	\$ 4,002,571	\$ 1,926,015	\$ 27,280	\$ 92,124	(2,669,349)	712,197	(1,957,152)
General revenues							
Property taxes, levied for							
General purposes					392,141	-	392,141
Specific purposes					861,360	-	861,360
Excise tax distribution					119,332	-	119,332
Franchise fees					109,619	-	109,619
Grants and contributions not restricted to specific programs					1,400,522	109,276	1,509,798
Unrestricted investment earnings					218,891	72,877	291,768
Miscellaneous					24,889	105	24,994
Total general revenues					3,126,754	182,258	3,309,012
Change in net position					457,405	894,455	1,351,860
Net position at beginning of year					5,786,521	2,563,456	8,349,977
Net position at end of year					\$ 6,243,926	\$ 3,457,911	\$ 9,701,837

The accompanying notes are an integral part of this statement.

Egelston Township
BALANCE SHEET
 Governmental Funds
 June 30, 2024

	General Fund	Fire Fund	Street Light Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 5,632,088	\$ 8,282	\$ 191,082	\$ 185,680	\$ 6,017,132
Receivables					
Accounts	26,629	1,280	-	2	27,911
Leases	304,817	-	-	-	304,817
Due from other governmental units	405,032	-	-	-	405,032
Due from other funds	-	61,458	-	-	61,458
Prepaid items	14,610	24,859	-	-	39,469
Total assets	\$ 6,383,176	\$ 95,879	\$ 191,082	\$ 185,682	\$ 6,855,819
LIABILITIES					
Accounts payable	\$ 22,326	\$ 22,450	\$ 13,770	\$ -	\$ 58,546
Accrued liabilities	41,106	36,288	-	-	77,394
Due to other governmental units	142,269	-	-	-	142,269
Due to other funds	61,458	-	-	-	61,458
Unearned revenues—expenditure-driven grants	1,053,609	-	-	-	1,053,609
Total liabilities	1,320,768	58,738	13,770	-	1,393,276
DEFERRED INFLOWS OF RESOURCES					
Related to leases	304,817	-	-	-	304,817
FUND BALANCES					
Nonspendable - prepaid items	14,610	24,859	-	-	39,469
Restricted					
Debt service	-	-	-	154,881	154,881
Fire protection	-	4,000	-	-	4,000
Street lights	-	-	177,312	-	177,312
Festival	-	-	-	30,801	30,801
Employee health insurance	9,295	8,282	-	-	17,577
Committed					
Community center improvements	268,286	-	-	-	268,286
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 for subsequent year's budget appropriations	572,083	-	-	-	572,083
Unassigned	3,343,866	-	-	-	3,343,866
Total fund balances	4,757,591	37,141	177,312	185,682	5,157,726
Total liabilities and fund balances	\$ 6,383,176	\$ 95,879	\$ 191,082	\$ 185,682	\$ 6,855,819

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, 2024

Total fund balance—governmental funds \$ 5,157,726

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	\$ 5,838,057	
Accumulated depreciation	<u>(2,965,883)</u>	2,872,174

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	(9,200)	
Bonds payable	(1,622,376)	
Compensated absences	(34,976)	
Other postemployment benefits and related deferred outflows/inflows of resources	<u>(119,422)</u>	<u>(1,785,974)</u>

Net position of governmental activities	<u>\$ 6,243,926</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, 2024

	General Fund	Fire Fund	Street Light Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes					
Property taxes	\$ 392,141	\$ 706,829	\$ 5	\$ 154,526	\$ 1,253,501
Excise tax distribution	119,332	-	-	-	119,332
Licenses and permits	349,131	-	-	-	349,131
Intergovernmental revenues					
State	1,300,988	57,919	28,316	23,599	1,410,822
Local	7,733	-	-	-	7,733
Charges for services	85,817	64,803	-	-	150,620
Fines and forfeitures	4,927	-	-	-	4,927
Investment earnings	215,202	65	2,418	1,207	218,892
Other	56,591	21,407	-	-	77,998
Total revenues	<u>2,531,862</u>	<u>851,023</u>	<u>30,739</u>	<u>179,332</u>	<u>3,592,956</u>
EXPENDITURES					
Current					
General government	874,776	-	-	-	874,776
Public safety	480,503	1,017,434	-	-	1,497,937
Public works	216,045	-	145,787	-	361,832
Health and welfare	7,733	-	-	-	7,733
Community and economic development	5,320	-	-	-	5,320
Culture and recreation	329,194	-	-	-	329,194
Debt service					
Principal	-	-	-	125,000	125,000
Interest and fees	-	-	-	57,015	57,015
Capital outlay	20,900	10,035	-	-	30,935
Total expenditures	<u>1,934,471</u>	<u>1,027,469</u>	<u>145,787</u>	<u>182,015</u>	<u>3,289,742</u>
Excess of revenues over (under) expenditures	597,391	(176,446)	(115,048)	(2,683)	303,214
OTHER FINANCING SOURCES (USES)					
Transfers in	-	176,742	-	-	176,742
Transfers out	(176,742)	-	-	-	(176,742)
Total other financing sources (uses)	<u>(176,742)</u>	<u>176,742</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	420,649	296	(115,048)	(2,683)	303,214
Fund balances at beginning of year	4,336,942	36,845	292,360	188,365	4,854,512
Fund balances at end of year	<u>\$ 4,757,591</u>	<u>\$ 37,141</u>	<u>\$ 177,312</u>	<u>\$ 185,682</u>	<u>\$ 5,157,726</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, 2024

Net change in fund balances—total governmental funds \$ 303,214

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	\$ (197,182)	
Capital outlay	<u>30,935</u>	(166,247)

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		125,000
Change in accrued interest payable		900

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	(10,232)	
Change in other postemployment benefits and related deferred outflows/inflows of resources	<u>204,770</u>	<u>194,538</u>

Change in net position of governmental activities		<u><u>\$ 457,405</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, 2024

	Business-type Activities - Enterprise Fund Sewer
ASSETS	
Current assets	
Cash and investments	\$ 2,041,468
Receivables	
Accounts	453,323
Special assessments	650
Prepaid items	3,144
Total current assets	2,498,585
Noncurrent assets	
Special assessments receivable, less amounts due within one year	650
Capital assets	
Land	7,934
Construction in progress	151,447
Buildings	18,613
Utility system	9,462,137
Equipment	345,621
Vehicles	16,667
Access rights	1,674,280
Less accumulated depreciation and amortization	(9,546,871)
Net capital assets	2,129,828
Net other post-employment benefits asset	20,348
Total noncurrent assets	2,150,826
Total assets	4,649,411
DEFERRED OUTFLOWS OF RESOURCES	
Related to other postemployment benefits	16,076
Total assets and deferred outflows of resources	4,665,487
LIABILITIES	
Current liabilities	
Accounts payable	3,641
Accrued liabilities	13,418
Due to other governmental units	87,512
Bonds and other obligations, due within one year	60,040
Total current liabilities	164,611
Noncurrent liabilities	
Bonds and other obligations, less amounts due within one year	990,256
Total liabilities	1,154,867
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	52,709
Total liabilities and deferred inflows of resources	1,207,576
NET POSITION	
Net investment in capital assets	1,083,572
Restricted for employee health insurance	3,431
Unrestricted	2,370,908
Total net position	\$ 3,457,911

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, 2024

	Business-type Activities - Enterprise Fund Sewer
OPERATING REVENUES	
Charges for services	\$ 1,487,394
Other revenues	105
Total operating revenues	1,487,499
OPERATING EXPENSES	
Administration	28,122
Operations	669,311
Depreciation and amortization	131,129
Total operating expenses	828,562
Operating income (loss)	658,937
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	72,877
Connection fees	91,824
Interest expense	(38,459)
Capital grants and contributions	109,276
Total nonoperating revenues (expenses)	235,518
Change in net position	894,455
Net position at beginning of year	2,563,456
Net position at end of year	\$ 3,457,911

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF CASH FLOWS
 Proprietary Fund
 For the year ended June 30, 2024

	<u>Business-type Activities - Enterprise Fund Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,352,235
Receipts from interfund services provided	7,405
Payments to suppliers	(626,608)
Payments to employees	(100,342)
	632,690
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Connection fees	92,474
Purchases of capital assets	(102,185)
Principal paid on capital debt	(52,867)
Interest paid on capital debt	(47,965)
Capital grants and contributions	109,276
	(1,267)
CASH FLOW FROM INVESTING ACTIVITIES	
Investment earnings	72,877
	704,300
Net increase (decrease) in cash and investments	704,300
Cash and investments at beginning of year	1,337,168
Cash and investments at end of year	\$ 2,041,468
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ 658,937
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation and amortization expense	131,129
Change in assets and liabilities	
Receivables	(127,859)
Prepaid items	5,957
Accounts payable	261
Accrued liabilities	(33,756)
Due to other governmental units	(1,979)
	\$ 632,690

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF NET POSITION
 Fiduciary Funds
 June 30, 2024

	Other Post- Employment Benefit Trust Fund	Custodial Funds	
		Trust and Agency	Current Tax
ASSETS			
Cash	\$ -	\$ 31,072	\$ -
Investments			
Money market	2,525	-	-
Mutual funds—equity	993,576	-	-
Mutual funds—fixed income	266,384	-	-
Receivables	-	4,047	-
Total assets	1,262,485	35,119	-
LIABILITIES			
Due to other governmental units	-	4,865	-
Other liabilities	-	30,254	-
Total liabilities	-	35,119	-
NET POSITION			
Restricted for other post-employment benefits	\$ 1,262,485	\$ -	\$ -

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, 2024

	Other Post- Employment Benefit Trust Fund	Custodial Funds	
		Trust and Agency	Current Tax
ADDITIONS			
Property tax collections for other governments	\$ -	\$ -	\$ 7,900,340
Escrow deposits received	-	1,148,084	-
Employer contributions	148,585	-	-
Investment earnings (loss)	174,222	-	-
Total additions	322,807	1,148,084	7,900,340
DEDUCTIONS			
Payments of property taxes to other governments	-	-	7,900,340
Escrow deposits returned	-	1,148,084	-
Benefit payments	48,585	-	-
Administrative expenses	6,189	-	-
Total deductions	54,774	1,148,084	7,900,340
Change in net position	268,033	-	-
Net position at beginning of year	994,452	-	-
Net position at end of year	\$ 1,262,485	\$ -	\$ -

The accompanying notes are an integral part of this statement.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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 Township 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, 2024

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, 2024

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Property Taxes—Continued

The 2023 state taxable value for real/personal property of the Township totaled approximately \$240,314,000. The ad valorem taxes levied consisted of 1.1326, 2.9272, and .64 mills for the Township’s general operation, fire department operations, and debt service, respectively. These amounts are recognized in the respective General Fund, Fire Fund, and Fire Station Debt 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, 2024

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2024, the Township had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)	S&P	Percent
External investment pool	\$ 4,438,778	85	AAAm	77.9 %
OPEB Trust				
Money market	2,525	30	N/A	0.0
Mutual funds—equity	993,576	N/A	N/A	17.4
Mutual funds—fixed income	266,384	N/A	N/A	4.7
Total fair value	\$ 5,701,263			100.0 %
Portfolio weighted average maturity		N/A		

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, 2024, \$2,701,863 of the Township's bank balance of \$3,683,053 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, 2024, \$82,945 of the Township’s total investment portfolio was held in foreign equities.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024.

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 controls the investments and makes all management and investment decisions.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024:

	Assets at Fair Value as of June 30, 2024			
	Level 1	Level 2	Level 3	Total
External investment pool	\$ -	\$ 4,438,778	\$ -	\$ 4,438,778
OPEB Trust				
Money market	-	2,525	-	2,525
Mutual funds—equity	993,576	-	-	993,576
Mutual funds—fixed income	266,384	-	-	266,384
Total assets at fair value	\$ 1,259,960	\$ 4,441,303	\$ -	\$ 5,701,263

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 \$2,043, increasing by 3 percent each year. The lease has several 5-year renewal terms at the lessee’s discretion through January 2061. The Township has recorded a receivable through January 2036, the period that it is reasonably certain that the lessee will exercise those options, based on all relevant factors. The Township recognized \$19,113 in lease revenue and \$5,045 in interest revenue during the year ended June 30, 2024. 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, 2024, the balance of the deferred inflow of resources was \$304,817.

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

Year Ending June 30,	Principal	Interest
2025	\$ 20,152	\$ 4,731
2026	21,228	4,401
2027	22,345	4,053
2028	23,503	3,687
2029	24,703	3,302
2030-2034	143,116	10,032
2035-2037	49,770	637
	\$ 304,817	\$ 30,843

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE F—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

	Balance				Balance
	July 1, 2023	Additions	Deductions		June 30, 2024
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	422,467	30,935	-		453,402
Office equipment	56,836	-	-		56,836
Vehicles	1,519,732	-	-		1,519,732
Total capital assets, being depreciated	5,573,415	30,935	-		5,604,350
Less accumulated depreciation:					
Land improvements	375,151	17,204	-		392,355
Buildings and improvements	1,126,078	68,196	-		1,194,274
Equipment	307,567	24,002	-		331,569
Office equipment	56,202	634	-		56,836
Vehicles	903,703	87,146	-		990,849
Total accumulated depreciation	2,768,701	197,182	-		2,965,883
Total capital assets, being depreciated, net	2,804,714	(166,247)	-		2,638,467
Capital assets, net	\$ 3,038,421	\$ (166,247)	\$ -		\$ 2,872,174

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE F—CAPITAL ASSETS—Continued

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 7,934	\$ -	\$ -	\$ 7,934
Construction in process	49,262	102,185	-	151,447
Total capital assets, not being depreciated	57,196	102,185	-	159,381
Capital assets, being depreciated:				
Buildings and improvements	18,613	-	-	18,613
Utility systems	9,462,137	-	-	9,462,137
Equipment	345,621	-	-	345,621
Vehicles	16,667	-	-	16,667
Access rights	1,674,280	-	-	1,674,280
Total capital assets, being depreciated	11,517,318	-	-	11,517,318
Less accumulated depreciation:				
Buildings and improvements	13,261	465	-	13,726
Utility systems	8,094,880	66,421	-	8,161,301
Equipment	336,684	3,039	-	339,723
Vehicles	16,667	-	-	16,667
Access rights	954,250	61,204	-	1,015,454
Total accumulated depreciation	9,415,742	131,129	-	9,546,871
Total capital assets, being depreciated, net	2,101,576	(131,129)	-	1,970,447
Capital assets, net	\$ 2,158,772	\$ (28,944)	\$ -	\$ 2,129,828

Depreciation

Depreciation expense has been charged to functions as follows:

Governmental activities:

General government	\$ 34,641
Public safety	132,010
Public works	19,123
Culture and recreation	11,408
	\$ 197,182

Business-type activities:

Sewer	\$ 131,129
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Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE G—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due To/Due From Other Funds:

The General Fund owes the Fire Fund \$61,458. The outstanding balance between the funds results from the remainder of a transfer to subsidize Fire Fund operations.

Interfund Transfers:

The General Fund transferred \$176,742 to the Fire Fund as an operational 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, 2024:

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Direct borrowings and direct placements					
General obligation bonds	\$ 1,747,376	\$ -	\$ 125,000	\$ 1,622,376	\$ 55,000
Compensated absences	24,744	82,751	72,519	34,976	12,294
	<hr/>				
Governmental activities long-term liabilities	\$ 1,772,120	\$ 82,751	\$ 197,519	\$ 1,657,352	\$ 67,294
	<hr/>				
Business-type activities:					
Direct borrowings and direct placements					
General obligation bonds	\$ 1,034,208	\$ -	\$ 52,867	\$ 981,341	\$ 56,000
Premium	74,021	-	9,106	64,915	-
Compensated absences	5,541	6,318	7,819	4,040	4,040
	<hr/>				
Business-type activities long-term liabilities	\$ 1,113,770	\$ 6,318	\$ 69,792	\$ 1,050,296	\$ 60,040
	<hr/>				

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

	<u>Interest</u> <u>Rate</u>	<u>Date of</u> <u>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>\$ 1,622,376</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>\$ 981,341</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, 2024

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, 2024 was approximately \$106,500. 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, 2024.

Annual debt service requirements to maturity for debt outstanding as of June 30, 2024 follow:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Direct Borrowings and Direct Placements		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2025	\$ 55,000	\$ 54,755	\$ 56,000	\$ 45,249
2026	60,000	52,899	59,000	42,389
2027	65,000	50,874	62,000	39,692
2028	70,000	48,680	64,000	37,074
2029	70,000	46,318	67,000	34,281
2030-2034	430,000	192,776	389,000	121,267
2035-2039	580,000	110,088	284,341	21,982
2040-2042	292,376	15,597	-	-
	\$ 1,622,376	\$ 571,987	\$ 981,341	\$ 341,934

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, 2024

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.

Commitments

At June 30, 2024, the Township has committed \$472,223 to purchase a new fire truck and \$707,586 to reconstruct a lift station. The fire truck will be financed with available funds and the lift station will be financed with unspent American Rescue Plan Act funds.

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 15 percent of gross earnings. Employees are not required to make contributions to the Plan. For the year ended June 30, 2024, the Township recognized pension expense of \$141,407.

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, 2024 there were no forfeitures.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2024

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, 2024 valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Active employees	10
Total employees covered by OPEB Plan	20

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 during the 2025 reporting period while continuing to pay retiree benefits from general operating funds. Afterwards, benefits will be paid from the OPEB trust. There are no long term contracts for contributions to the plan. The plan has no legally required reserves. For the year ended June 30, 2024, the Township made payments for postemployment healthcare benefits for current retirees of \$48,585. The Township also made contributions to the OPEB Plan trust of \$100,000.

Net OPEB Liability (Asset)

The Township’s net OPEB liability (asset) was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2024.

Actuarial Assumptions

The total OPEB liability in the June 30, 2024 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	5.0 percent
Investment rate of return	6.90 percent (including inflation), net of administrative and investment expenses
Healthcare cost trend rates	Pre-Medicare: 7.25 percent, then graded down by .25 percent per year to an ultimate rate of 4.5 percent Post-Medicare: 5.5 percent, then graded down by .25 percent per year to an ultimate rate of 4.5 percent

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2024

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 the IRS 2024 Adjusted Scale MP-2021.

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, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	64.0%	7.80%
Global fixed income	26.0%	4.80%
Private assets	5.0%	6.90%
Diversifying strategies	5.0%	6.30%

The sum of each target allocation times its long-term expected rate, plus inflation, is 6.90 percent.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that the Township will contribute an annual amount of \$100,000 and will continue to pay benefits from general operating funds for the next year. At that point, benefits 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 7.45 percent.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE K—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balance at beginning of year	\$ 1,005,067	\$ 994,452	\$ 10,615
Changes for the year			
Service cost	17,874	-	17,874
Interest	74,399	-	74,399
Experience (gains)/losses	2,068	-	2,068
Changes of assumptions	42,099	-	42,099
Contributions - employer	-	148,585	(148,585)
Net investment income (loss)	-	173,868	(173,868)
Administrative expenses	-	(5,835)	5,835
Benefit payments including refund of employee contributions	(48,585)	(48,585)	-
Net changes	87,855	268,033	(180,178)
Balance at end of year	\$ 1,092,922	\$ 1,262,485	\$ (169,563)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the Township, calculated using the discount rate of 6.90 percent, as well as what the Township's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Township's net OPEB liability (asset)	\$ (58,510)	\$ (169,563)	\$ (264,106)

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2024

NOTE K—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

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

The following presents the net OPEB liability (asset) 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 (asset) 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)	\$ (239,174)	\$ (169,563)	\$ (92,021)

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 (asset), 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, 2024, the Township recognized OPEB expense (benefit) of \$(84,108). At June 30, 2024, 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	\$ 1,538	\$ 154,712
Changes in assumptions	132,431	210,001
Net difference between projected and actual net investment income	-	74,526
Total	\$ 133,969	\$ 439,239

Egelston Township
NOTES TO FINANCIAL STATEMENTS
 June 30, 2024

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
2025	\$ (110,579)
2026	(84,793)
2027	(90,645)
2028	(19,253)

Payables to the OPEB Plan

At June 30, 2024, 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, 2024, Township contributions were \$15,320.

NOTE L—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 51 percent of General Fund revenues.

REQUIRED SUPPLEMENTARY INFORMATION

Egelston Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property taxes	\$ 384,115	\$ 396,215	\$ 392,141	\$ (4,074)
Excise tax distribution	-	120,000	119,332	(668)
Licenses and permits	371,250	378,250	349,131	(29,119)
Intergovernmental revenues				
State	1,262,807	1,303,268	1,300,988	(2,280)
Local	-	33,874	7,733	(26,141)
Charges for services	111,180	111,180	85,817	(25,363)
Fines and forfeitures	700	5,200	4,927	(273)
Investment earnings	70,000	219,650	215,202	(4,448)
Other	61,685	63,260	56,591	(6,669)
Total revenues	<u>2,261,737</u>	<u>2,630,897</u>	<u>2,531,862</u>	<u>(99,035)</u>
EXPENDITURES				
Current				
General government				
Township board	39,080	44,017	38,722	5,295
Supervisor	84,450	84,450	78,546	5,904
Elections	30,612	37,112	13,300	23,812
Assessor	70,800	70,800	70,377	423
Board of review	3,375	3,375	1,981	1,394
Clerk	180,690	180,690	171,585	9,105
Treasurer	153,615	153,615	143,785	9,830
Township hall	68,283	68,283	59,136	9,147
Professional services	40,000	60,000	45,950	14,050
Personal services	195,293	195,293	182,425	12,868
Medical marihuana committee	6,492	6,492	-	6,492
Other services and charges	75,650	89,835	68,969	20,866
Public safety				
Sheriff	250,000	250,000	242,204	7,796
Inspection department	276,491	276,491	238,299	38,192
Public works				
Drains	11,600	11,600	9,788	1,812
Roads	153,500	153,500	145,680	7,820
Landfill	8,265	8,265	7,420	845
Cemetery	64,675	64,675	53,157	11,518
Health and welfare				
Senior services	49,142	49,142	7,733	41,409
Community and economic development				
Planning	9,445	9,445	4,367	5,078
Zoning board of appeals	2,850	2,850	953	1,897
Economic development	100	100	-	100
Culture and recreation				
Recreation programs	54,500	62,500	48,247	14,253
Parks maintenance	287,843	287,843	261,010	26,833
Library	23,770	23,770	19,937	3,833
Capital outlay	53,500	47,000	20,900	26,100
Total expenditures	<u>2,194,021</u>	<u>2,241,143</u>	<u>1,934,471</u>	<u>306,672</u>
Excess of revenues over (under) expenditures	67,716	389,754	597,391	207,637
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	1,000	1,000	-	(1,000)
Transfers out	(295,204)	(266,081)	(176,742)	89,339
Total other financing sources (uses)	<u>(294,204)</u>	<u>(265,081)</u>	<u>(176,742)</u>	<u>88,339</u>
Net change in fund balance	<u>\$ (226,488)</u>	<u>\$ 124,673</u>	420,649	<u>\$ 295,976</u>
Fund balance at beginning of year			4,336,942	
Fund balance at end of year			<u>\$ 4,757,591</u>	

Egelston Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Fire Fund
For the year ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 711,252	\$ 719,365	\$ 706,829	\$ (12,536)
Intergovernmental revenue—State	-	57,919	57,919	-
Charges for services	65,500	66,304	64,803	(1,501)
Investment earnings	65	65	65	-
Other	100	21,491	21,407	(84)
Total revenues	776,917	865,144	851,023	(14,121)
EXPENDITURES				
Current				
Public safety	1,072,121	1,121,190	1,017,434	103,756
Capital outlay	-	10,035	10,035	-
Total expenditures	1,072,121	1,131,225	1,027,469	103,756
Excess of revenues over (under) expenditures	(295,204)	(266,081)	(176,446)	89,635
OTHER FINANCING SOURCES				
Transfers in	295,204	266,081	176,742	(89,339)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	296	<u>\$ 296</u>
Fund balance at beginning of year			<u>36,845</u>	
Fund balance at end of year			<u>\$ 37,141</u>	

Egelston Township
 Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
 Street Light Fund
 For the year ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ -	\$ -	\$ 5	\$ 5
Intergovernmental revenue—State	-	28,316	28,316	-
Investment earnings	2,000	2,000	2,418	418
Total revenues	2,000	30,316	30,739	423
EXPENDITURES				
Current				
Public works	147,500	147,500	145,787	1,713
Net change in fund balance	<u><u>\$ (145,500)</u></u>	<u><u>\$ (117,184)</u></u>	(115,048)	<u><u>\$ 2,136</u></u>
Fund balance at beginning of year			<u>292,360</u>	
Fund balance at end of year			<u><u>\$ 177,312</u></u>	

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY							
Service cost	\$ 17,874	\$ 28,968	\$ 25,783	\$ 28,083	\$ 30,491	\$ 40,178	\$ 38,015
Interest	74,399	66,725	77,327	75,825	83,145	73,978	70,105
Differences between expected and actual experience	2,068	(4,131)	(155,141)	(9,388)	(195,363)	(7,515)	-
Changes of assumptions	42,099	(241,419)	186,362	(53,364)	32,150	(170,234)	-
Benefit payments, including refunds of employee contributions	(48,585)	(41,052)	(34,486)	(34,898)	(35,695)	(42,441)	(42,001)
Net change in total OPEB liability	87,855	(190,909)	99,845	6,258	(85,272)	(106,034)	66,119
Total OPEB liability at beginning of year	1,005,067	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)	\$ 1,092,922	\$ 1,005,067	\$ 1,195,976	\$ 1,096,131	\$ 1,089,873	\$ 1,175,145	\$ 1,281,179
PLAN FIDUCIARY NET POSITION							
Contributions—employer	\$ 148,585	\$ 141,052	\$ 134,486	\$ 134,898	\$ 135,695	\$ 142,441	\$ 117,001
Net investment income (loss)	173,868	116,242	(112,870)	172,296	3,715	20,925	20,623
Benefit payments, including refunds or employee contributions	(48,585)	(41,052)	(34,486)	(34,898)	(35,695)	(42,441)	(42,001)
Administrative expense	(5,835)	(4,529)	(4,248)	(3,701)	(2,448)	(1,869)	(1,383)
Net change in plan fiduciary net position	268,033	211,713	(17,118)	268,595	101,267	119,056	94,240
Plan fiduciary net position at beginning of year	994,452	782,739	799,857	531,262	429,995	310,939	216,699
Plan fiduciary net position at end of year (b)	\$ 1,262,485	\$ 994,452	\$ 782,739	\$ 799,857	\$ 531,262	\$ 429,995	\$ 310,939
Township's net OPEB liability (asset) at end of year (a)-(b)	\$ (169,563)	\$ 10,615	\$ 413,237	\$ 296,274	\$ 558,611	\$ 745,150	\$ 970,240
Plan fiduciary net position as a percentage of the total OPEB liability	115.51%	98.94%	65.45%	72.97%	48.75%	36.59%	24.27%
Covered employee payroll	\$ 856,883	\$ 848,307	\$ 789,467	\$ 788,582	\$ 765,603	\$ 810,511	Not Available
Township's net OPEB liability (asset) as a percentage of covered employee payroll	-19.79%	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.

See the following page for significant changes to actuarial assumptions.

Egelston Township
REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTHCARE SYSTEM SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (ASSET) 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.

2024 Valuation

Trend updated

Discount rate changed from 7.45% to 6.90%

Salary scale updated from 3.00% to 5.00%

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>2024</u>	<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>
Actuarially determined contribution	\$ 21,014	\$ 90,118	\$ 67,098	\$ 99,937	\$ 121,783	\$ 133,804	\$ 129,336	\$ 131,586	\$ 131,586	\$ 170,432
Contributions in relation to the actuarially determined contribution	148,585	141,052	134,486	134,898	135,695	142,441	117,001	115,296	44,633	48,792
Contribution deficiency (excess)	\$ (127,571)	\$ (50,934)	\$ (67,388)	\$ (34,961)	\$ (13,912)	\$ (8,637)	\$ 12,335	\$ 16,290	\$ 86,953	\$ 121,640
Covered employee payroll	\$ 856,883	\$ 848,307	\$ 789,467	\$ 788,582	\$ 765,603	\$ 810,511	Not Available	Not Available	Not Available	Not Available
Contributions as percentage of covered employee payroll	17.3%	16.6%	17.0%	17.1%	17.7%	17.6%	Not Available	Not Available	Not Available	Not Available

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of June 30, 2024.

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	8 years
Asset valuation method	Equal to market value of assets
Inflation	Included in investment rate of return
Salary increases	5.0 percent
Investment rate of return	6.90 percent (including inflation), net of administrative and investment expenses
Retirement age	60 years of age
Mortality	Mortality rates were as set forth in the 2010 Public Safety and Public General Employee and Healthy Retiree, Headcount weighted IRS 2024 Adjusted Scale MP-2021

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)

	2024	2023	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	16.69%	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, 2024

	Total Other Governmental Funds	Special Revenue Fund Festival	Debt Service Fund Fire Station Debt
ASSETS			
Cash and investments	\$ 185,680	\$ 30,801	\$ 154,879
Accounts receivable	2	-	2
Total assets	\$ 185,682	\$ 30,801	\$ 154,881
 FUND BALANCES			
Restricted			
Debt service	\$ 154,881	\$ -	\$ 154,881
Festival	30,801	30,801	-
Total fund balances	\$ 185,682	\$ 30,801	\$ 154,881

Egelston Township
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
Other Governmental Funds
For the year ended June 30, 2024

	Total Other Governmental Funds	Special Revenue Fund <u>Festival</u>	Debt Service Fund <u>Fire Station Debt</u>
REVENUES			
Property taxes	\$ 154,526	\$ -	\$ 154,526
Intergovernmental revenues—State	23,599	-	23,599
Investment earnings	1,207	313	894
Total revenues	179,332	313	179,019
EXPENDITURES			
Debt service			
Principal	125,000	-	125,000
Interest and fees	57,015	-	57,015
Total expenditures	182,015	-	182,015
Net change in fund balances	(2,683)	313	(2,996)
Fund balances at beginning of year	188,365	30,488	157,877
Fund balances at end of year	\$ 185,682	\$ 30,801	\$ 154,881