

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|--------------------------|--|--------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name EGELSTON TOWNSHIP | County MUSKEGON |
| Fiscal Year End 06/30/06 | Opinion Date 10/10/06 | Date Audit Report Submitted to State 11/29/06 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

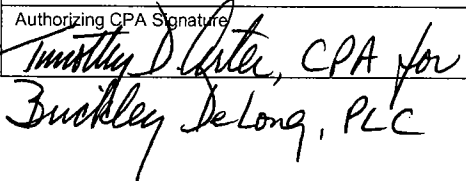
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|--|-------------------------------------|--|-------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input type="checkbox"/> | NONE NOTED | |
| Other (Describe) | <input type="checkbox"/> | NONE NOTED | |
| Certified Public Accountant (Firm Name) BRICKLEY DELONG | | Telephone Number 231-726-5800 | |
| Street Address TERRACE PLAZA SUITE 500 | | City MUSKEGON | State MI |
| | | Zip 49443 | |
| Authorizing CPA Signature  Timothy D. Arter, CPA for Brickley DeLong, PLLC | | Printed Name TIMOTHY D. ARTER | |
| | | License Number 10253 | |

Egelston Township
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2006

Egelston Township

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As management of Egelston Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2006. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

Assets of the Township exceeded liabilities at the close of the fiscal year by \$7,104,836 (net assets). Of this amount, \$3,913,754 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors.

Governmental activities had net assets totaling \$3,265,400 while business-type activities ended the year with \$3,839,436 in total net assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

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

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for the Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of June 30, 2006, the Township's net assets from governmental activities totaled \$3,265,400 (46%) and \$3,839,436 (54%) from business-type activities, creating a total government-wide net assets total of \$7,104,836.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental activities actually depict a balance of \$1,719,996. This represents the amount of discretionary resources that can be used for general governmental operations.

The business-type activities show a total of \$3,839,436 in net assets and \$2,193,758 in unrestricted net assets.

Current assets for the governmental activities increased by approximately \$222,000 from the prior year due primarily to higher cash and investments reflecting an increase in net assets. Capital assets are down by approximately \$34,000 because depreciation exceeded capital asset additions for the year. The increase in current liabilities of approximately \$26,000 is primarily due to higher payables in the Fire Fund for equipment purchased with FEMA grant funds. In addition, accrued liabilities are up in the Fire Fund due to an accrual for estimated retroactive pay from a union contract under negotiation.

Current assets and other assets for the business-type activities increased by approximately \$184,000 due to proceeds from a bond anticipation note received from the county for sewer system expansion in the Township. Capital assets are down by approximately \$74,000 because depreciation exceeded capital asset additions for the year. Current liabilities are up by approximately \$234,000 from the prior year due to the bond anticipation note from the county for sewer system expansion in the Township.

Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------------|----------------------------|--------------|-----------------------------|--------------|--------------|--------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Current assets and other assets | \$ 2,219,415 | \$ 1,997,082 | \$ 2,825,022 | \$ 2,641,287 | \$ 5,044,437 | \$ 4,638,369 |
| Capital assets | 1,193,327 | 1,226,935 | 1,673,096 | 1,695,768 | 2,866,423 | 2,922,703 |
| Total assets | 3,412,742 | 3,224,017 | 4,498,118 | 4,337,055 | 7,910,860 | 7,561,072 |
| Current liabilities | 131,802 | 106,168 | 437,099 | 202,635 | 568,901 | 308,803 |
| Noncurrent liabilities | 15,540 | 15,223 | 221,583 | 304,920 | 237,123 | 320,143 |
| Total liabilities | 147,342 | 121,391 | 658,682 | 507,555 | 806,024 | 628,946 |

Net Assets—Continued

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Net assets | | | | | | |
| Invested in capital assets, | | | | | | |
| net of related debt | \$ 1,193,327 | \$ 1,226,935 | \$ 1,645,678 | \$ 1,649,476 | \$ 2,839,005 | \$ 2,876,411 |
| Restricted | 352,077 | 357,017 | - | - | 352,077 | 357,017 |
| Unrestricted | 1,719,996 | 1,518,674 | 2,193,758 | 2,180,024 | 3,913,754 | 3,698,698 |
| Total net assets | <u>\$ 3,265,400</u> | <u>\$ 3,102,626</u> | <u>\$ 3,839,436</u> | <u>\$ 3,829,500</u> | <u>\$ 7,104,836</u> | <u>\$ 6,932,126</u> |

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

Change in Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|------------------|-----------------------------|----------------|------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 147,059 | \$ 128,984 | \$ 390,972 | \$ 373,038 | \$ 538,031 | \$ 502,022 |
| Operating grants and contributions | 15,000 | - | - | - | 15,000 | - |
| Capital grants and contributions | 69,741 | 21,076 | 22,550 | 10,990 | 92,291 | 32,066 |
| General revenues | | | | | | |
| Property taxes | 839,180 | 770,450 | - | - | 839,180 | 770,450 |
| Franchise fees | 33,741 | 35,237 | - | - | 33,741 | 35,237 |
| Grants and contributions not restricted | 767,012 | 775,642 | - | - | 767,012 | 775,642 |
| Unrestricted investment earnings | 61,176 | 33,372 | 72,844 | 38,896 | 134,020 | 72,268 |
| Miscellaneous | 36,046 | 77,812 | - | 16,981 | 36,046 | 94,793 |
| Total revenues | <u>1,968,955</u> | <u>1,842,573</u> | <u>486,366</u> | <u>439,905</u> | <u>2,455,321</u> | <u>2,282,478</u> |

Change in Net Assets

| | Governmental | | Business-type | | Total | |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Activities | | Activities | | | |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Expenses: | | | | | | |
| General government | \$ 771,625 | \$ 740,023 | \$ - | \$ - | \$ 771,625 | \$ 740,023 |
| Public safety | 785,962 | 857,066 | - | - | 785,962 | 857,066 |
| Public works | 149,947 | 131,755 | - | - | 149,947 | 131,755 |
| Community and economic development | 26,541 | 16,932 | - | - | 26,541 | 16,932 |
| Culture and recreation | 72,106 | 64,782 | - | - | 72,106 | 64,782 |
| Sewer Fund | - | - | 476,430 | 484,354 | 476,430 | 484,354 |
| Total expenses | <u>1,806,181</u> | <u>1,810,558</u> | <u>476,430</u> | <u>484,354</u> | <u>2,282,611</u> | <u>2,294,912</u> |
| Change in net assets | 162,774 | 32,015 | 9,936 | (44,449) | 172,710 | (12,434) |
| Net assets - Beginning | <u>3,102,626</u> | <u>3,070,611</u> | <u>3,829,500</u> | <u>3,873,949</u> | <u>6,932,126</u> | <u>6,944,560</u> |
| Net assets - Ending | <u>\$ 3,265,400</u> | <u>\$ 3,102,626</u> | <u>\$ 3,839,436</u> | <u>\$ 3,829,500</u> | <u>\$ 7,104,836</u> | <u>\$ 6,932,126</u> |

At year-end, on June 30, 2006, net assets increased by \$162,774 in governmental activities and increased by \$9,936 in business-type activities. This resulted in an increase of \$172,710 government wide.

Governmental Activities

Charges for services is up by approximately \$18,000 compared to the prior year because of an increase in grave site openings, compared to a drop in the prior year. In addition, the Township now has a cell phone tower on its property and is receiving rent from the cell phone company. Operating grants and contributions are up \$15,000 because the Township received a grant from the State for tire clean-up. Capital grants and contributions are up by approximately \$50,000 because the Fire Department received a FEMA grant for safety equipment. Property tax revenue is up approximately \$69,000 due to growth in the Township. Unrestricted investment earnings are up by approximately \$28,000 because of an increase in investment rates. Miscellaneous revenue is down by approximately \$42,000 because the prior year revenue included a litigation settlement for services provided at a public safety incident.

General government expenses are up by approximately \$32,000 due to small increases in several Township departments, increased depreciation expense and increased payroll benefits. Public safety expenses are down by approximately \$71,000 because the Fire Department did not have a fire chief for most of the year and the Township discontinued the PINS program. Public works expenses are up by approximately \$18,000 primarily due to a significant amount of tire clean-up done in the Township related to the tire clean-up grant received from the State.

Business-type Activities

Charges for services are up by approximately \$18,000 due to growth in the Township. Capital grants and contributions are up by approximately \$12,000 due to more customers hooking up to the sewer system this year than last year. Unrestricted investment earnings are up by approximately \$34,000 due to higher interest rates earned on investments. In the prior year the Township had \$16,981 in miscellaneous revenue because the County distributed excess funds from an old County bond; which did not occur this year. Expenditures in the Sewer Fund remained fairly steady compared to the prior year.

Financial Analysis of the Government's Funds

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

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

At the end of the 2006 fiscal year, the governmental funds reported a combined fund balance of \$2,089,607. This number represents the fund balance of \$1,697,602 in the General Fund, \$20,011 in the Fire Fund, \$346,235 in the Street Light Fund, and \$25,759 in other governmental funds. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. The amount of the fund balance that is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders is \$92,790. Of the remaining unreserved fund balances, \$992,000 is designated for various improvements.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year 2006, the unreserved General Fund fund balance was \$1,624,823 and the total General Fund fund balance was \$1,697,602. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 140% of the General Fund expenditures.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net assets of the Sewer Fund increased by \$9,936.

General Fund Budget

During the current fiscal year, the Township made several amendments to its original budget. The General Fund revenues budget was increased for property taxes because of growth within the Township. The licenses and permits budget was increased because the Township experienced more development than anticipated. The state shared revenues budget was increased because more revenues were anticipated from the State of Michigan. The charges for services budget was increased due to a cell phone company putting a tower on Township property and paying the Township rent. The investment earnings budget was increased because of higher interest rates and the other revenues budget was increased because actual miscellaneous receipts were more than originally budgeted. Cemetery appropriations were increased for additional supplies and foundations. Maintenance appropriations were increased for unanticipated wages, utilities, repairs and additional supplies expenditures. Inspection department appropriations were decreased because zoning administrator/planner wages decreased due to a vacancy in this position during part of the year. Landfill appropriations were increased because of the tire clean-up grant. The planning department budget was increased for a consultant to develop a master plan for the Township and for legal services. Recreation programs and park maintenance appropriations were increased due to increased miscellaneous expenses. Payroll benefit appropriations were decreased due to lower healthcare and pension expenses. Capital outlay appropriations were decreased due to lower than anticipated computers being purchased for the Township hall, building improvements in the cemetery department, pavilion and playground equipment in the recreation department and capital outlay in the maintenance department.

The following comments summarize the major variations from the final budget to actual revenues and expenditures. General Fund assessor expenditures are lower than budgeted because wages were lower than anticipated. Township hall expenditures are lower than budgeted because building improvements were lower than anticipated. Inspection department expenditures are lower than budgeted because of a vacancy in the planner position. Payroll benefit expenditures are lower than budgeted because healthcare, pension and insurance expenses were all lower than anticipated. Other expenditures were lower than budgeted because consulting and miscellaneous expenses were lower than anticipated. Capital outlay expenditures were lower than budgeted because there were no cemetery, inspection department, pavilion, playground equipment, or library capital outlay expenditures. In addition, not all of the boat launch capital improvements that were budgeted were made during the fiscal year.

Capital Assets Administration

The Township's investment in capital assets for its governmental and business-type activities as of June 30, 2006 totaled \$2,866,423 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, office equipment, equipment, utility systems and vehicles.

Major governmental capital asset events during the current year included three new voting machines (donated by the State of Michigan), a new Kubota tractor, a spreader, an airbag system, new telephone system and work has begun on the new boat launch. Business-type activities have \$78,737 in construction in progress due to engineering fees related to an expansion of the sewer system on Apple Avenue and for costs incurred thus far for expansion of the sewer system on Brooks Road. These projects will continue into fiscal 2007. The Sewer Fund also purchased a new control panel for the Evanston lift station.

Capital Assets (Net of Accumulated Depreciation)

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Land | \$ 229,710 | \$ 229,710 | \$ - | \$ - | \$ 229,710 | \$ 229,710 |
| Land improvements | 174,785 | 188,392 | - | - | 174,785 | 188,392 |
| Buildings and improvements | 437,903 | 460,700 | 13,262 | 13,727 | 451,165 | 474,427 |
| Utility systems | - | - | 1,570,803 | 1,646,418 | 1,570,803 | 1,646,418 |
| Equipment | 108,582 | 69,226 | 10,294 | 13,063 | 118,876 | 82,289 |
| Office equipment | 24,042 | 26,078 | - | - | 24,042 | 26,078 |
| Vehicles | 215,590 | 252,829 | - | - | 215,590 | 252,829 |
| Construction in progress | 2,715 | - | 78,737 | 22,560 | 81,452 | 22,560 |
| Total | <u>\$ 1,193,327</u> | <u>\$ 1,226,935</u> | <u>\$ 1,673,096</u> | <u>\$ 1,695,768</u> | <u>\$ 2,866,423</u> | <u>\$ 2,922,703</u> |

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

Long-Term Debt

At the end of the fiscal year, the Township had total outstanding debt of \$383,485 consisting of general obligation bonds and compensated absences. The general obligation debt of \$348,760 is backed by the full-faith and credit of the Township.

Outstanding Debt

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------|-------------------------|------------------|--------------------------|-------------------|-------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| General obligations | | | | | | |
| bonds | \$ - | \$ - | \$ 348,760 | \$ 460,920 | \$ 348,760 | \$ 460,920 |
| Compensated absences | 31,079 | 30,446 | 3,646 | 3,257 | 34,725 | 33,703 |
| Total | <u>\$ 31,079</u> | <u>\$ 30,446</u> | <u>\$ 352,406</u> | <u>\$ 464,177</u> | <u>\$ 383,485</u> | <u>\$ 494,623</u> |

The Township's total debt decreased by \$111,138 during the fiscal year. This decrease was due to scheduled debt payments offset by draw downs made on the new \$17.5M bond from the County.

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

General Economic Overview

The Township's General Fund has two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised over 78% of the General Fund revenue sources. In fiscal 2007, state revenue sharing and property tax revenues are expected to remain steady.

The Township is expecting to increase expenditures in the coming year. Election expenditures are expected to increase due to the governor's election in November 2006, assessor wages are expected to increase due to the filling of a vacant position, the inspection department wages are also expected to increase due to the filling of a vacant zoning administrator/planner position. Landfill expenditures are expected to decrease because a large tire clean-up program is not planned for the next fiscal year. Healthcare costs are expected to increase by approximately 16% next year. The General Fund is also anticipating having to transfer approximately \$56,000 to the Fire Fund to cover their operations.

The Township Board and staff remain optimistic that the Township's economic stability will be further enhanced by several projects and other variables in various stages of maturity. These include continued development in the residential and commercial sectors and movement in Lansing to stabilize state revenue sharing. The Township also entered into an agreement with Muskegon County and two other townships to expand the sewer system. This agreement was entered into during fiscal year 2005. The project will be funded by a \$20,580,000 bond, of which the Township is responsible for 8.26% or \$1,700,000. The Township's share of the project is not expected to exceed \$4,000,000. The bond will be paid back over 40 years. The sewer system expansion will be on Brooks and Apple Avenue, a pump station will be eliminated on Apple and Carr and a new pump station will be built on MacArthur.

Requests for Information

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

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

October 10, 2006

Township Board
Egelston Township
Muskegon, Michigan


We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Egelston Township, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Egelston Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Egelston Township, Michigan, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - ix and 25 - 27 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Egelston Township, Michigan's basic financial statements. The combining nonmajor funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Egelston Township
STATEMENT OF NET ASSETS
June 30, 2006

| | ASSETS | | |
|---|----------------------------|-----------------------------|--------------|
| | Governmental activities | Business-type activities | Total |
| CURRENT ASSETS | | | |
| Cash and investments | \$ 1,796,160 | \$ 2,056,249 | \$ 3,852,409 |
| Receivables | 9,632 | 245,482 | 255,114 |
| Due from other governmental units | 288,952 | - | 288,952 |
| Prepaid items | 124,671 | 13,119 | 137,790 |
| Restricted assets | - | 244,009 | 244,009 |
| Total current assets | 2,219,415 | 2,558,859 | 4,778,274 |
| NONCURRENT ASSETS | | | |
| Capital assets, net | | | |
| Nondepreciable | 232,425 | 78,737 | 311,162 |
| Depreciable | 960,902 | 1,594,359 | 2,555,261 |
| Access rights, net | - | 126,254 | 126,254 |
| Special assessments receivable | - | 42,740 | 42,740 |
| Notes receivable | - | 97,169 | 97,169 |
| Total noncurrent assets | 1,193,327 | 1,939,259 | 3,132,586 |
| Total assets | 3,412,742 | 4,498,118 | 7,910,860 |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued liabilities | 111,152 | 27,576 | 138,728 |
| Due to other governmental units | 5,111 | 35,610 | 40,721 |
| Bond anticipation note | - | 243,090 | 243,090 |
| Bonds and other obligations, due within one year | 15,539 | 130,823 | 146,362 |
| Total current liabilities | 131,802 | 437,099 | 568,901 |
| NONCURRENT LIABILITIES | | | |
| Bonds and other obligations, less amounts due within one year | 15,540 | 221,583 | 237,123 |
| Total liabilities | 147,342 | 658,682 | 806,024 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 1,193,327 | 1,645,678 | 2,839,005 |
| Restricted for: | | | |
| Street lights | 346,235 | - | 346,235 |
| Muskegon Regional Water Alliance | 5,842 | - | 5,842 |
| Unrestricted | 1,719,996 | 2,193,758 | 3,913,754 |
| Total net assets | \$ 3,265,400 | \$ 3,839,436 | \$ 7,104,836 |

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF ACTIVITIES
For the year ended June 30, 2006

| Functions/Programs | Expenses | Program Revenue | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|--------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|--------------|
| | | Charges for services | Operating grants and contributions | Capital grants and contributions | Governmental activities | Business-type activities | Total |
| Governmental activities | | | | | | | |
| General government | \$ 771,625 | \$ 41,711 | \$ - | \$ 19,401 | \$ (710,513) | \$ - | \$ (710,513) |
| Public safety | 785,962 | 105,348 | - | 50,340 | (630,274) | - | (630,274) |
| Public works | 149,947 | - | 15,000 | - | (134,947) | - | (134,947) |
| Community and economic development | 26,541 | - | - | - | (26,541) | - | (26,541) |
| Culture and recreation | 72,106 | - | - | - | (72,106) | - | (72,106) |
| Total governmental activities | 1,806,181 | 147,059 | 15,000 | 69,741 | (1,574,381) | - | (1,574,381) |
| Business-type activities | | | | | | | |
| Sewer | 476,430 | 390,972 | - | 22,550 | - | (62,908) | (62,908) |
| Total government | \$ 2,282,611 | \$ 538,031 | \$ 15,000 | \$ 92,291 | (1,574,381) | (62,908) | (1,637,289) |
| General revenues | | | | | | | |
| Property taxes, levied for | | | | | | | |
| General purposes | | | | | 281,420 | - | 281,420 |
| Specific purposes | | | | | 557,760 | - | 557,760 |
| Franchise fees | | | | | 33,741 | - | 33,741 |
| Grants and contributions not restricted to specific programs | | | | | 767,012 | - | 767,012 |
| Unrestricted investment earnings | | | | | 61,176 | 72,844 | 134,020 |
| Miscellaneous | | | | | 36,046 | - | 36,046 |
| Total general revenues | | | | | 1,737,155 | 72,844 | 1,809,999 |
| Change in net assets | | | | | 162,774 | 9,936 | 172,710 |
| Net assets at July 1, 2005 | | | | | 3,102,626 | 3,829,500 | 6,932,126 |
| Net assets at June 30, 2006 | | | | | \$ 3,265,400 | \$ 3,839,436 | \$ 7,104,836 |

The accompanying notes are an integral part of this statement.

Egelston Township
BALANCE SHEET
Governmental Funds
June 30, 2006

| | General Fund | Fire Fund | Street Light Fund | Other governmental funds | Total governmental funds |
|--------------------------------------|---------------------|------------------|-------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and investments | \$ 1,416,192 | \$ - | \$ 354,193 | \$ 25,775 | \$ 1,796,160 |
| Accounts receivable | 9,632 | - | - | - | 9,632 |
| Due from other governmental units | 265,807 | 9,600 | - | - | 275,407 |
| Due from other funds | 4,236 | - | - | - | 4,236 |
| Prepaid items | 72,779 | 51,892 | - | - | 124,671 |
| Total assets | <u>\$ 1,768,646</u> | <u>\$ 61,492</u> | <u>\$ 354,193</u> | <u>\$ 25,775</u> | <u>\$ 2,210,106</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 55,286 | \$ 15,310 | \$ 7,958 | \$ 16 | \$ 78,570 |
| Accrued liabilities | 12,175 | 20,407 | - | - | 32,582 |
| Due to other governmental units | 3,583 | 1,528 | - | - | 5,111 |
| Due to other funds | - | 4,236 | - | - | 4,236 |
| Total liabilities | 71,044 | 41,481 | 7,958 | 16 | 120,499 |
| Fund balances | | | | | |
| Reserved for prepaid items | 72,779 | 20,011 | - | - | 92,790 |
| Unreserved | | | | | |
| Designated, reported in General Fund | 992,000 | - | - | - | 992,000 |
| Undesignated, reported in | | | | | |
| General Fund | 632,823 | - | - | - | 632,823 |
| Special revenue funds | - | - | 346,235 | 25,759 | 371,994 |
| Total fund balances | <u>1,697,602</u> | <u>20,011</u> | <u>346,235</u> | <u>25,759</u> | <u>2,089,607</u> |
| Total liabilities and fund balances | <u>\$ 1,768,646</u> | <u>\$ 61,492</u> | <u>\$ 354,193</u> | <u>\$ 25,775</u> | <u>\$ 2,210,106</u> |

The accompanying notes are an integral part of this statement.

Egelston Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**
June 30, 2006

| | | |
|---------------------------------------|----|-----------|
| Total fund balance—governmental funds | \$ | 2,089,607 |
|---------------------------------------|----|-----------|

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

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

| | | |
|--------------------------|--------------------|-----------|
| Cost of capital assets | \$ 2,610,497 | |
| Accumulated depreciation | <u>(1,417,170)</u> | 1,193,327 |

Certain due from other governmental units in governmental activities are not reported in the governmental funds.

13,545

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

| | | |
|----------------------|--|-----------------|
| Compensated absences | | <u>(31,079)</u> |
|----------------------|--|-----------------|

| | | |
|--|----|-------------------------|
| Net assets of governmental activities in the Statement of Net Assets | \$ | <u><u>3,265,400</u></u> |
|--|----|-------------------------|

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended June 30, 2006

| | General Fund | Fire Fund | Street Light Fund | Other governmental funds | Total governmental funds |
|------------------------------------|---------------------|------------------|-------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | |
| Property taxes | \$ 281,420 | \$ 476,664 | \$ 81,096 | \$ - | \$ 839,180 |
| Licenses and permits | 116,837 | - | - | - | 116,837 |
| Intergovernmental revenues | | | | | |
| Federal | - | 50,340 | - | - | 50,340 |
| State | 801,413 | - | - | - | 801,413 |
| Charges for services | 32,719 | 3,087 | - | - | 35,806 |
| Investment earnings | 49,485 | - | 11,359 | 332 | 61,176 |
| Other | 48,293 | 2,365 | - | - | 50,658 |
| Total revenues | <u>1,330,167</u> | <u>532,456</u> | <u>92,455</u> | <u>332</u> | <u>1,955,410</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General government | 541,723 | - | - | - | 541,723 |
| Public safety | 99,093 | 505,605 | - | - | 604,698 |
| Public works | 31,018 | - | 97,340 | - | 128,358 |
| Community and economic development | 23,776 | - | - | - | 23,776 |
| Culture and recreation | 58,869 | - | - | 182 | 59,051 |
| Other governmental functions | 356,084 | - | - | 55 | 356,139 |
| Capital outlay | 47,355 | 10,840 | - | - | 58,195 |
| Total expenditures | <u>1,157,918</u> | <u>516,445</u> | <u>97,340</u> | <u>237</u> | <u>1,771,940</u> |
| Net change in fund balances | 172,249 | 16,011 | (4,885) | 95 | 183,470 |
| Fund balances at July 1, 2005 | <u>1,525,353</u> | <u>4,000</u> | <u>351,120</u> | <u>25,664</u> | <u>1,906,137</u> |
| Fund balances at June 30, 2006 | <u>\$ 1,697,602</u> | <u>\$ 20,011</u> | <u>\$ 346,235</u> | <u>\$ 25,759</u> | <u>\$ 2,089,607</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, 2006

| | | |
|--|----|---------|
| Net change in fund balances—total governmental funds | \$ | 183,470 |
|--|----|---------|

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

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

| | | |
|----------------------|---------------|----------|
| Depreciation expense | \$ (91,803) | |
| Capital outlay | <u>58,195</u> | (33,608) |

| | | |
|--|--|--------|
| Revenue reported in the Statement of Activities that does not provide current financial resources are not reported as revenue in the governmental funds. | | 13,545 |
|--|--|--------|

| | | |
|--|--|--------------|
| Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds. | | <u>(633)</u> |
|--|--|--------------|

| | | |
|---|----|-----------------------|
| Change in net assets of governmental activities | \$ | <u><u>162,774</u></u> |
|---|----|-----------------------|

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF NET ASSETS
Proprietary Fund
June 30, 2006

ASSETS

| | Business-type Activities - Enterprise Fund Sewer |
|---|---|
| CURRENT ASSETS | |
| Cash and investments | \$ 2,056,249 |
| Receivables | |
| Accounts | 124,943 |
| Special assessments | 23,539 |
| Notes | 97,000 |
| Prepaid items | 13,119 |
| Restricted assets | <u>244,009</u> |
| Total current assets | 2,558,859 |
| NONCURRENT ASSETS | |
| Capital assets | |
| Buildings | 18,613 |
| Utility system | 8,333,082 |
| Equipment | 190,685 |
| Construction in progress | 78,737 |
| Less accumulated depreciation | <u>(6,948,021)</u> |
| Net capital assets | 1,673,096 |
| Access rights, net | 126,254 |
| Special assessments receivable | 42,740 |
| Notes receivable | <u>97,169</u> |
| Total noncurrent assets | <u>1,939,259</u> |
| Total assets | 4,498,118 |
| | |
| LIABILITIES AND NET ASSETS | |
| CURRENT LIABILITIES | |
| Accounts payable | 25,330 |
| Accrued liabilities | 2,246 |
| Due to other governmental units | 35,610 |
| Bond anticipation note | 243,090 |
| Bonds and other obligations, due within one year | <u>130,823</u> |
| Total current liabilities | 437,099 |
| NONCURRENT LIABILITIES | |
| Bonds and other obligations, less amounts due within one year | <u>221,583</u> |
| Total liabilities | <u>658,682</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 1,645,678 |
| Unrestricted | <u>2,193,758</u> |
| Total net assets | <u><u>\$ 3,839,436</u></u> |

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 Proprietary Fund
 For the year ended June 30, 2006

| | Business-type Activities - <u>Enterprise Fund</u> <u>Sewer</u> |
|--|---|
| REVENUES | |
| Charges for services | \$ 390,972 |
| OPERATING EXPENSES | |
| Administration | 25,581 |
| Operations | 329,733 |
| Depreciation and amortization | <u>113,899</u> |
| Total operating expenses | <u>469,213</u> |
| Operating loss | (78,241) |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment earnings | 72,844 |
| Connection fees | 22,550 |
| Interest expense | <u>(7,217)</u> |
| Total nonoperating revenues (expenses) | <u>88,177</u> |
| Change in net assets | 9,936 |
| Net assets at July 1, 2005 | <u>3,829,500</u> |
| Net assets at June 30, 2006 | \$ <u><u>3,839,436</u></u> |

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF CASH FLOWS
Proprietary Funds
For the year ended June 30, 2006

| | Business-type Activities - Enterprise fund Sewer |
|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 371,817 |
| Receipts from interfund services provided | 2,449 |
| Payments to suppliers | (226,069) |
| Payments to employees | (108,021) |
| Payment for interfund services used | (17,779) |
| Net cash provided by operating activities | 22,397 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Proceeds from bond anticipation note | 243,090 |
| Connection fees | 38,125 |
| Purchases of capital assets | (73,623) |
| Principal paid on capital debt | (33,202) |
| Interest paid on capital debt | (9,574) |
| Net cash provided by capital and related financing activities | 164,816 |
| CASH FLOW FROM INVESTING ACTIVITIES | |
| Investment earnings | 72,844 |
| Net increase in cash and investments | 260,057 |
| Cash and investments at July 1, 2005 | 2,040,201 |
| Cash and investments at June 30, 2006 | \$ 2,300,258 |
| Reconciliation of cash and investments to the balance sheet | |
| Cash and investments | \$ 2,056,249 |
| Restricted assets | 244,009 |
| | \$ 2,300,258 |
| Reconciliation of operating loss to net cash provided by operating activities | |
| Operating loss | \$ (78,241) |
| Adjustments to reconcile operating loss to net cash provided by operating activities | |
| Depreciation and amortization expense | 113,899 |
| Change in assets and liabilities | |
| Receivables, net | (16,706) |
| Prepaid items | 1,027 |
| Internal balances | (17,779) |
| Compensated absences | 389 |
| Accounts payable | 3,711 |
| Accrued liabilities | 469 |
| Due to other governmental units | 15,628 |
| Net cash provided by operating activities | \$ 22,397 |

The accompanying notes are an integral part of this statement.

Egelston Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
June 30, 2006

| | <u>Agency Fund</u> |
|---------------------------------|-------------------------|
| ASSETS | |
| Cash and investments | \$ 12,484 |
| Receivables | <u>2,655</u> |
| Total assets | <u><u>\$ 15,139</u></u> |
| LIABILITIES | |
| Due to other governmental units | \$ 6,603 |
| Other liabilities | <u>8,536</u> |
| Total liabilities | <u><u>\$ 15,139</u></u> |

The accompanying notes are an integral part of this statement.

Egelston Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Township reports the following major governmental funds:

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

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

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

The Township reports the following major proprietary fund:

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

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

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

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

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

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

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

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

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

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

Receivables and Payables

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

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

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Receivables and Payables—Continued

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

The 2005 state taxable value for real/personal property of the Township totaled approximately \$162,365,000. The ad valorem taxes levied consisted of 1.1897, 2.8619 and 0.4869 mills for the Township's general operations, fire department and operations, and street lights, respectively. These amounts are recognized respectively in the General Fund, Fire Fund, and Street Light Fund.

Prepaid Items

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

Restricted Assets

Certain cash and investments from a debt issue in the Sewer Fund that are unspent are shown as restricted because their use is restricted to construction.

Capital Assets

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

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

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

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

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Compensated Absences

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

Long-Term Obligations

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

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

Fund Equity

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

Use of Estimates

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2006, the Township had the following investments:

| | Fair value | Weighted average maturity (Days) | Moody's | Percent |
|-------------------------------------|---------------------|---|-----------|----------------|
| Investment Type | | | | |
| External investment pool | \$ 245,448 | 39 | not rated | 14.2 |
| Negotiable certificates of deposit | 103,313 | 224 | not rated | 6 |
| Repurchase agreements | <u>1,375,608</u> | <u>1</u> | AAA | <u>79.8</u> |
| Total fair value | <u>\$ 1,724,369</u> | | | <u>100.0 %</u> |
| Portfolio weighted average maturity | | <u>20</u> | | |

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE C—DEPOSITS AND INVESTMENTS—Continued

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 (NRSROs). 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. More than 5 percent of the Township's investments are in Federal Home Loan Bank Bonds held through repurchase agreements and in negotiable certificates of deposit issued by Mercantile Bank. These investments are 79.8 percent and 6 percent, respectively, of the Township's investments.

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, 2006, \$1,464,506 of the Township's bank balance of \$2,140,527 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

| | Balance July 1, 2005 | Additions | Deductions | Balance June 30, 2006 |
|---|----------------------------|-----------|------------|-----------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 229,710 | \$ - | \$ - | \$ 229,710 |
| Construction in progress | - | 2,715 | - | 2,715 |
| Total capital assets, not being depreciated | 229,710 | 2,715 | - | 232,425 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 246,370 | - | - | 246,370 |
| Buildings and improvements | 870,650 | - | - | 870,650 |
| Equipment | 192,438 | 51,141 | - | 243,579 |
| Office equipment | 100,510 | 4,339 | - | 104,849 |
| Vehicles | 912,624 | - | - | 912,624 |
| Total capital assets, being depreciated | 2,322,592 | 55,480 | - | 2,378,072 |

Egelston Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE D—CAPITAL ASSETS—Continued

| | Balance July 1, 2005 | Additions | Deductions | Balance June 30, 2006 |
|---|----------------------------|--------------------|---------------|-----------------------------|
| Governmental activities:—Continued | | | | |
| Less accumulated depreciation: | | | | |
| Land improvements | \$ 57,978 | \$ 13,607 | \$ - | \$ 71,585 |
| Buildings and improvements | 409,950 | 22,797 | - | 432,747 |
| Equipment | 123,212 | 11,784 | - | 134,996 |
| Office equipment | 74,432 | 6,375 | - | 80,807 |
| Vehicles | 659,795 | 37,240 | - | 697,035 |
| Total accumulated depreciation | <u>1,325,367</u> | <u>91,803</u> | <u>-</u> | <u>1,417,170</u> |
| Total capital assets, being depreciated, net | <u>997,225</u> | <u>(36,323)</u> | <u>-</u> | <u>960,902</u> |
| Capital assets, net | <u>\$ 1,226,935</u> | <u>\$ (33,608)</u> | <u>\$ -</u> | <u>\$ 1,193,327</u> |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ 22,560 | \$ 56,177 | \$ - | \$ 78,737 |
| Capital assets, being depreciated: | | | | |
| Utility systems | 8,317,082 | 16,000 | - | 8,333,082 |
| Equipment | 201,955 | 1,446 | 12,716 | 190,685 |
| Buildings and improvements | 18,613 | - | - | 18,613 |
| Total capital assets, being depreciated | 8,537,650 | 17,446 | 12,716 | 8,542,380 |
| Less accumulated depreciation: | | | | |
| Utility systems | 6,670,664 | 91,615 | - | 6,762,279 |
| Equipment | 188,892 | 4,215 | 12,716 | 180,391 |
| Buildings and improvements | 4,886 | 465 | - | 5,351 |
| Total accumulated depreciation | <u>6,864,442</u> | <u>96,295</u> | <u>12,716</u> | <u>6,948,021</u> |
| Total capital assets, being depreciated, net | <u>1,673,208</u> | <u>(78,849)</u> | <u>-</u> | <u>1,594,359</u> |
| Capital assets, net | <u>\$ 1,695,768</u> | <u>\$ (22,672)</u> | <u>\$ -</u> | <u>\$ 1,673,096</u> |

Egelston Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE D—CAPITAL ASSETS—Continued

Depreciation

Depreciation expense has been charged to functions as follows:

Governmental activities:

| | |
|------------------------|------------------|
| General government | \$ 33,184 |
| Public safety | 32,629 |
| Public works | 12,934 |
| Culture and recreation | <u>13,056</u> |
| | <u>\$ 91,803</u> |

Business-type activities:

| | |
|-------|------------------|
| Sewer | <u>\$ 96,295</u> |
|-------|------------------|

Construction commitments:

At June 30, 2006, the Township had entered into various agreements for construction projects.

Below is a summary of those agreements.

| <u>Fund</u> | <u>Project</u> | <u>Spent-to-date</u> | <u>Remaining</u> |
|-------------|------------------------|----------------------|------------------|
| Sewer | Sewer system expansion | \$78,737 | \$ 4,754,304 |

NOTE E—ACCESS RIGHTS

Access rights activity for the year ended June 30, 2006 was as follows:

| | <u>Balance July 1, 2005</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2006</u> |
|-------------------------------|-------------------------------------|------------------|-------------------|--------------------------------------|
| Business-type activities | | | | |
| Access rights | \$ 294,609 | \$ 91,048 | \$ 15,061 | \$ 370,596 |
| Less accumulated amortization | <u>229,248</u> | <u>17,603</u> | <u>2,509</u> | <u>244,342</u> |
| Access rights, net | <u>\$ 65,361</u> | <u>\$ 73,445</u> | <u>\$ 12,552</u> | <u>\$ 126,254</u> |

NOTE F—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to/from other funds:

The Fire Fund owes the General Fund \$4,236 to cover current operating expenditures.

Egelston Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE G—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended June 30, 2006.

| | Balance July 1, 2005 | Additions | Reductions | Balance June 30, 2006 | Due within one year |
|---|----------------------------|-----------|------------|-----------------------------|------------------------|
| Governmental activities: | | | | | |
| Compensated absences | \$ 30,446 | \$ 49,637 | \$ 49,004 | \$ 31,079 | \$ 15,539 |
| Business-type activities: | | | | | |
| General obligations bond | \$ 460,920 | \$ 91,048 | \$ 203,208 | \$ 348,760 | \$ 129,000 |
| Compensated absences | 3,257 | 8,396 | 8,007 | 3,646 | 1,823 |
| Business-type activity long-term liabilities | \$ 464,177 | \$ 99,444 | \$ 211,215 | \$ 352,406 | \$ 130,823 |

General obligation bonds:

\$428,906 Muskegon County Wastewater Management
Number One Refunding Bond of 2002; due in annual
installments of \$128,242 to \$129,470 through July
2008; interest at 2.5%

\$ 257,712

\$628,250 Muskegon County Wastewater Management
contract payable beginning in 2008; interest at 1.625%

91,048

348,760

Compensated absences

3,646

\$ 352,406

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

The Township was in compliance in all material respects with all bond ordinances at June 30, 2006.

Annual debt service requirements to maturity for debt outstanding as of June 30, 2006 follows:

| Year ending June 30, | Business-type activities | |
|-------------------------|--------------------------|------------------|
| | Principal | Interest |
| 2007 | \$ 129,000 | \$ 12,886 |
| 2008 | 219,760 | 6,412 |
| | <u>\$ 348,760</u> | <u>\$ 19,298</u> |

Egelston Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE H—DESIGNATED FUND BALANCE

Unreserved fund balances designated for specific purposes as of June 30, 2006 were as follows:

| | |
|---|-------------------|
| General Fund | |
| Designated for road improvements | \$ 30,000 |
| Designated for park improvements | 172,000 |
| Designated for equipment replacement | 75,000 |
| Designated for building/library improvements | 50,000 |
| Designated for cemetery improvements | 60,000 |
| Designated for fire department/community center | 550,000 |
| Designated for other capital expenditures | <u>55,000</u> |
| | <u>\$ 992,000</u> |
| Sewer Fund | |
| Designated for future capital expenditures | <u>\$ 500,000</u> |

NOTE I—OTHER INFORMATION

Risk Management

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

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

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

Egelston Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE I—OTHER INFORMATION—Continued

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.

The Township is currently in negotiation with the firefighter's union regarding wages and benefits retroactive to July 1, 2003. The Township has accrued in the Fire Fund a reasonable estimate of costs.

Post-Retirement Health Care

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

As of year end, there were 5 retired employees receiving benefits. The Township finances the Plan on a pay-as-you-go basis. For the year ended June 30, 2006, the Township's post-retirement health care cost under the Plan was approximately \$28,000.

NOTE J—PENSION PLANS

Defined Contribution Plan

The Township maintains a defined contribution retirement plan with John Hancock Funds, Inc. that covers all employees except volunteer firemen and seasonal employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township contributes 15 percent of the employees' gross earnings. Participants are not required to contribute to the plan. The Township contributed \$94,274 during the year ended June 30, 2006.

NOTE K—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 58 percent of General Fund revenues.

NOTE L—SUBSEQUENT YEAR INFORMATION

On July 6, 2006, the Township entered into a general obligation bond with two other municipalities for \$20,580,000, of which the Township is responsible for 8.26% or \$1,700,000 to finance sewer improvements. The interest rate on the bonds range from 4.25 percent to 5.0 percent.

REQUIRED SUPPLEMENTARY INFORMATION

Egelston Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2006

| | Budgeted amounts | | | Variance with final budget- positive (negative) |
|--|------------------|-------------|--------------|--|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Property taxes | \$ 269,332 | \$ 282,402 | \$ 281,420 | \$ (982) |
| Licenses and permits | 90,900 | 117,088 | 116,837 | (251) |
| Intergovernmental revenue - State | 774,730 | 794,131 | 801,413 | 7,282 |
| Charges for services | 19,800 | 32,719 | 32,719 | - |
| Investment earnings | 10,000 | 49,485 | 49,485 | - |
| Other | 6,235 | 49,655 | 48,293 | (1,362) |
| Total revenues | 1,170,997 | 1,325,480 | 1,330,167 | 4,687 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | | | | |
| Township board | 21,500 | 21,500 | 18,530 | 2,970 |
| Supervisor | 43,800 | 43,800 | 40,614 | 3,186 |
| Elections | 7,900 | 7,900 | 2,282 | 5,618 |
| Board of review | 3,300 | 3,300 | 2,692 | 608 |
| Clerk | 85,400 | 85,400 | 81,348 | 4,052 |
| Treasurer | 83,900 | 83,900 | 80,515 | 3,385 |
| Assessor | 49,502 | 49,502 | 36,829 | 12,673 |
| Township hall | 71,840 | 78,027 | 56,656 | 21,371 |
| Board of appeals | 3,000 | 3,000 | 2,632 | 368 |
| Cemetery | 25,360 | 27,131 | 24,850 | 2,281 |
| Professional services | 32,000 | 32,000 | 29,928 | 2,072 |
| Office clerk | 55,642 | 55,642 | 46,338 | 9,304 |
| Maintenance | 104,688 | 122,669 | 118,509 | 4,160 |
| Public safety | | | | |
| Inspection department | 129,861 | 116,584 | 99,093 | 17,491 |
| Public works | | | | |
| Landfill | 12,220 | 31,120 | 30,582 | 538 |
| Roads | 600 | 600 | 436 | 164 |
| Community and economic development | | | | |
| Planning | 11,000 | 24,277 | 23,776 | 501 |
| Culture and recreation | | | | |
| Recreation programs and park maintenance | 33,300 | 40,132 | 37,218 | 2,914 |
| Library | 23,185 | 23,185 | 21,651 | 1,534 |
| Other governmental functions | | | | |
| Payroll benefits | 349,825 | 302,643 | 285,455 | 17,188 |
| Insurance | 50,000 | 50,000 | 42,570 | 7,430 |
| Other | 41,700 | 41,700 | 28,059 | 13,641 |
| Capital outlay | 71,400 | 66,911 | 47,355 | 19,556 |
| Total expenditures | 1,310,923 | 1,310,923 | 1,157,918 | 153,005 |
| Excess of revenues over (under) expenditures | (139,926) | 14,557 | 172,249 | 157,692 |
| OTHER FINANCING USES | | | | |
| Transfers out | (84,734) | (84,734) | - | 84,734 |
| Net change in fund balance | \$ (224,660) | \$ (70,177) | 172,249 | \$ 242,426 |
| Fund balance at July 1, 2005 | | | 1,525,353 | |
| Fund balance at June 30, 2006 | | | \$ 1,697,602 | |

Egelston Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Fire Fund
For the year ended June 30, 2006

| | Budgeted amounts | | | Variance with final budget- positive (negative) |
|--|------------------|------------|------------|--|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Property taxes | \$ 474,231 | \$ 477,011 | \$ 476,664 | \$ (347) |
| Intergovernmental revenue - Federal | - | 50,340 | 50,340 | - |
| Charges for services | 17,150 | 17,150 | 3,087 | (14,063) |
| Other | 2,600 | 2,874 | 2,365 | (509) |
| Total revenues | 493,981 | 547,375 | 532,456 | (14,919) |
| EXPENDITURES | | | | |
| Current | | | | |
| Public safety | 578,715 | 567,875 | 505,605 | 62,270 |
| Capital outlay | - | 10,840 | 10,840 | - |
| Total expenditures | 578,715 | 578,715 | 516,445 | 62,270 |
| Excess of revenues over (under) expenditures | (84,734) | (31,340) | 16,011 | 47,351 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 84,734 | 84,734 | - | (84,734) |
| Net change in fund balance | \$ - | \$ 53,394 | 16,011 | \$ (37,383) |
| Fund balance at July 1, 2005 | | | 4,000 | |
| Fund balance at June 30, 2006 | | | \$ 20,011 | |

Egelston Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Street Light Fund
For the year ended June 30, 2006

| | Budgeted amounts | | | Variance with final budget- positive (negative) |
|-------------------------------|--------------------|-------------------|-------------------|--|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Property taxes | \$ 80,855 | \$ 81,239 | \$ 81,096 | \$ (143) |
| Investment earnings | <u>3,500</u> | <u>11,359</u> | <u>11,359</u> | <u>-</u> |
| Total revenues | 84,355 | 92,598 | 92,455 | (143) |
| EXPENDITURES | | | | |
| Current | | | | |
| Public works | <u>102,227</u> | <u>102,227</u> | <u>97,340</u> | <u>4,887</u> |
| Net change in fund balance | \$ <u>(17,872)</u> | \$ <u>(9,629)</u> | (4,885) | \$ <u>4,744</u> |
| Fund balance at July 1, 2005 | | | <u>351,120</u> | |
| Fund balance at June 30, 2006 | | | \$ <u>346,235</u> | |

OTHER SUPPLEMENTAL INFORMATION

Egelston Township
COMBINING BALANCE SHEET
 Other Governmental Funds
 June 30, 2006

| | Total other governmental funds | Special Revenue | Water Alliance |
|-------------------------------------|--------------------------------------|------------------|-------------------|
| | | Festival | |
| ASSETS | | | |
| Cash and investments | \$ <u>25,775</u> | \$ <u>19,933</u> | \$ <u>5,842</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | \$ 16 | \$ 16 | \$ - |
| Fund balances | | | |
| Unreserved | <u>25,759</u> | <u>19,917</u> | <u>5,842</u> |
| Total liabilities and fund balances | \$ <u>25,775</u> | \$ <u>19,933</u> | \$ <u>5,842</u> |

Egelston Township
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Other Governmental Funds
 For the year ended June 30, 2006

| | Total other governmental funds | Special Revenue Festival | Water Alliance |
|--------------------------------|--------------------------------------|-----------------------------|-------------------|
| REVENUES | | | |
| Investment earnings | \$ 332 | \$ 332 | \$ - |
| EXPENDITURES | | | |
| Current | | | |
| Culture and recreation | 182 | 182 | - |
| Other governmental functions | 55 | - | 55 |
| Total expenditures | 237 | 182 | 55 |
| Net change in fund balances | 95 | 150 | (55) |
| Fund balances at July 1, 2005 | 25,664 | 19,767 | 5,897 |
| Fund balances at June 30, 2006 | \$ 25,759 | \$ 19,917 | \$ 5,842 |