

**EGELSTON TOWNSHIP
MUSKEGON COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

June 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

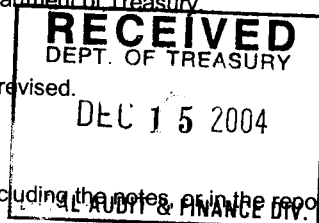
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Egelston Township	County Muskegon
Audit Date 6/30/04	Opinion Date 10/6/04	Date Accountant Report Submitted to State: 12/13/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hoffman, Steensma & Plamondon, P.L.C.			
Street Address 221 West Webster, Suite 502		City Muskegon	State MI
Accountant Signature <i>Douglas A. Plamondon, CPA</i>		ZIP 49440	Date 12-13-04

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

CONTENTS

INDEPENDENT AUDITORS' REPORT	3 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 10
FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet - Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Fund Net Assets - Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	18
Statement of Cash Flows - Proprietary Funds	19
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds	20
Notes to the Financial Statements	21 - 38
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
General Fund	40 - 42
Fire Fund	43
Street Light Fund	44
SUPPLEMENTAL FINANCIAL INFORMATION	
Non-Major Governmental Funds	
Description of Non-Major Governmental Funds	46
Combining Balance Sheet	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	48
Agency Funds	
Description of Agency Funds	49
Combining Statement of Assets and Liabilities	50
Statement of Changes in Assets and Liabilities	51
Schedule of Indebtedness	53

INDEPENDENT AUDITORS' REPORT

To the Township Board
Egelston Township
Muskegon County, 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, Muskegon County, Michigan (the "township"), as of and for the year ended June 30, 2004, which collectively comprises the township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Egelston Township, Muskegon County, Michigan. Our responsibility is to express an opinion 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 opinion.

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, Muskegon County, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note A to the financial statements, Egelston Township, Muskegon County, Michigan adopted the provision of Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments Omnibus* and GASB 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2003.

The management's discussion and analysis and the required supplementary information on pages 5 - 10 and pages 39 - 44 respectively, are not a required part of the basic financial statements 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Egelston Township, Muskegon County, Michigan's basic financial statements. The accompanying supplemental financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

Hoffman, Steenema & Plamondon, P.L.C.

October 6, 2004

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Management's Discussion and Analysis

Year Ended June 30, 2004

Our discussion and analysis of Egelston Township's financial performance provides an overview of the township's financial activities for the year ended June 30, 2004. Please read it in conjunction with the township's financial statements, which begin on page 11.

The changes in the enclosed document have been mandated by the Governmental Accounting Standards Board (GASB) Statement 34. In the first year of implementation of this standard, GASB recognizes that prior-year information is not available in a similar format. Therefore, government-wide comparisons will not be available until next year.

Financial Highlights

- The township's net assets decreased \$222,576 (or 3.1%). The governmental net assets decreased by \$76,720 (or 2.4%) and the business-type net assets decreased by \$145,856 (or 3.6%).
- Total expenses of all the township's programs were \$2,525,168. The governmental expenses were \$1,902,964 and the business-type expenses were \$622,204.
- Total revenues, including all program and general revenues, were \$2,302,592. The governmental revenues were \$1,826,244 and the business-type revenues were \$476,348.
- The township received \$106,422 from Sun Chemical (Lomac) for the purchase of fire safety equipment and supplies.
- The township purchased a new fire truck for \$200,789.

Using this Annual Report

This annual report consists of a series of financial statements. The first two statements are government-wide financial statements that provide both long-term and short-term information about the township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the government, reporting individual township operations in more detail than the government-wide statements.

- The governmental funds statements tell how general government services were financed in the short-term as well as what remains available for future spending.
- Proprietary fund statements offer short- and long-term financial information about activities the township operates like private businesses.
- Fiduciary fund statements provide information about the financial relationships in which the township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Management's Discussion and Analysis - Continued

Year Ended June 30, 2004

Reporting the Township as a Whole

Our analysis of the township as a whole begins on page 7. One of the most important questions asked about the township's finances is, "Is the township as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above report the township's net assets and changes in them. The reader can think of the township's net assets - the difference between assets and liabilities - as one way to measure the township's financial health or financial position. Over time, increases or decreases in the township's net assets are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors, however, such as changes in the township's property tax base and the condition of the township's capital assets (buildings, equipment and sewer lines) to assess the overall health of the township.

In the statement of net assets and the statement of activities, the township is divided into two kinds of activities:

- **Governmental activities** - Most of the township's basic services are reported here, including public safety, general administration, parks and recreation and streets. Property taxes and state shared revenues finance most of these activities.
- **Business-type activities** - The township charges a fee to customers to help it cover all or most of the cost of certain services provided. The township's sewer system is reported here.

Reporting the Township's Most Significant Funds

Our analysis of the township's major funds begins on page 9. The fund financial statements begin on page 13 and provide detailed information about the most significant funds - not the township as a whole. Some funds are required to be established by state law and by bond covenants. However, the township board has established several other funds to help it control and manage money for particular purposes. The township has the following kinds of funds:

- **Governmental funds** - Most of the township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the township's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the township's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and the governmental funds in a reconciliation following the fund financial statements.

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Management's Discussion and Analysis - Continued

Year Ended June 30, 2004

Reporting the Township's Most Significant Funds (continued)

- **Proprietary funds** - When the township charges customers for the services it provides whether to outside customers or to other units of the township, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. In fact, the township's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.
- **Fiduciary funds** - The township is the trustee, or fiduciary, for certain funds. The township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the township's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the township's government-wide financial statements because the township cannot use these assets to finance its operations.

The Township as a Whole

The township's combined net assets decreased from a year ago, from \$7,167,136 to \$6,944,560. Our analysis focuses on the net assets and changes in net assets of the township's governmental and business-type activities.

Net assets as of June 30, 2004, follows:

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 2,035,942	\$ 2,631,903	\$ 4,667,845
Capital assets	1,169,315	1,772,350	2,941,665
Total assets	\$ 3,205,257	\$ 4,404,253	\$ 7,609,510
Long-term liabilities	\$ 31,130	\$ 518,055	\$ 549,185
Other liabilities	103,516	12,249	115,765
Total liabilities	\$ 134,646	\$ 530,304	\$ 664,950
Net assets			
Invested in capital assets, net of related debt	\$ 1,169,315	\$ 1,772,350	\$ 2,941,665
Restricted	367,993	-	367,993
Unrestricted	1,533,303	2,101,599	3,634,902
Total net assets	\$ 3,070,611	\$ 3,873,949	\$ 6,944,560

Net assets of the township's governmental activities decreased by 2.4 percent (\$3,070,611 compared to \$3,147,331). Unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased \$208,862. Restricted net assets, those restricted mainly for capital projects and special purposes such as street lighting, decreased by \$19,967. The investment in capital assets, net of debt category increased by \$152,109.

The net assets of our business-type activities decreased by 3.6 percent (\$3,873,949 compared to \$4,019,805).

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Management's Discussion and Analysis - Continued

Year Ended June 30, 2004

The Township as a Whole (continued)

Changes in net assets as of June 30, 2004, follows:

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program revenues			
Charges for services	\$ 160,791	\$ 368,493	\$ 529,284
Operating grants and contributions	106,422	-	106,422
Capital grants and contributions	-	82,720	82,720
General revenues			
Property taxes	662,089	-	662,089
State shared revenues	784,190	-	784,190
Cable television fees	38,160	-	38,160
Interest	22,236	25,135	47,371
Other	52,356	-	52,356
Total revenues	1,826,244	476,348	2,302,592
Expenses			
Governmental activities			
Legislative	17,726	-	17,726
General government	547,192	-	547,192
Public safety	793,926	-	793,926
Public works	151,639	-	151,639
Recreation and culture	82,563	-	82,563
Other functions	309,918	-	309,918
Business-type activities			
Sewer	-	622,204	622,204
Total expenses	1,902,964	622,204	2,525,168
Change in net assets	(76,720)	(145,856)	(222,576)
Net assets at beginning of year	3,147,331	4,019,805	7,167,136
Net assets at end of year	\$ 3,070,611	\$ 3,873,949	\$ 6,944,560

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Management's Discussion and Analysis - Continued

Year Ended June 30, 2004

The Township as a Whole (continued)

Governmental Activities

The township received \$106,422 from Sun Chemical (Lomac) for the purchase of fire equipment and supplies.

State shared revenues decreased \$85,221 due to the current economic environment and budget shortfalls at the state.

Increases in expenses are primarily due to the purchase of a new fire truck and the increased cost of hospitalization, life insurance and retirement.

Business-Type Activities

Revenues for the business-type activities increased by \$39,608. Increases are primarily from several new special assessments for sewer hook-ups.

Expenses for the business-type activities remained steady and decreased by only \$13,699.

Financial Analysis of the Township's Funds

At the end of fiscal year 2004, the governmental funds reported a combined fund balance of \$1,932,426 which is \$227,273 less than last year. The General Fund fund balance decreased \$207,137 which was mostly due to the transfer of \$267,725 to the Fire Fund to subsidize its operations. With this transfer, the Fire Fund fund balance stayed the same at \$4,000. The Street Light Fund fund balance decreased \$19,517 because the township's street light millage was reduced.

General Fund Budgetary Highlights

Over the course of the year, the township board amended the township budget several times. The most significant of these budget amendments was an increase of \$41,750 for roads projects and a decrease of \$27,808 for capital outlay.

After these budget amendments, actual expenditures were \$113,966 below final budgeted amounts. There were no significant variances from budget to actual as most of the savings were spread evenly across all departments.

Revenues were \$90,641 less than the amended budget. State shared revenues account for most of the difference as they were \$89,838 less than the amended budget due to economic conditions and state budget cuts.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2004, the township had \$2,941,665 invested in a broad range of capital assets including land, buildings, public safety equipment, parks and sewer lines. This amount includes a net decrease (including additions and deductions) of \$133,277 or 4.3% over last year. Major capital additions include a new fire truck, fence, mower and bike path. Additional information on capital assets can be found in note C on page 33 of the notes to the financial statements.

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Management's Discussion and Analysis - Continued

Year Ended June 30, 2004

Capital Asset and Debt Administration (continued)

Long-Term Debt

At June 30, 2004, the township had \$549,185 in long-term debt outstanding. This is a decrease of \$116,420 from last year. Additional information on long-term debt can be found in note F on page 35 of the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The budget for next year includes a lower millage rate than was levied for the year ended June 30, 2004. In the year ended June 30, 2004, the millage rate levied was 4.5604 and in the year ending June 30, 2005 the millage rate levied will be 4.5474. These rollbacks are due to the township being in a Headlee rollback situation. Headlee rollbacks will continue as long as taxable values increase more than inflation.

Another factor influencing property tax revenues is Proposal A. The statewide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because certain properties may increase in value by less than inflation, the result is that the township's total taxable value may grow less than inflation.

The budget for next year also included a projected reduction of state shared revenues in the amount of \$88,000. State shared revenues are based on sales tax revenues which have decreased recently with the economic downturn. The state is also in a budget crisis and has discussed using some of this revenue sharing to balance the state budget. In October 2004, the state announced that state shared revenues for local units would remain the same as last fiscal year. Township officials continue to monitor this situation and the effect any future changes will have on the township's budget.

The township is also anticipating some large capital expenditures next year. They include repaving the township parking lot for \$30,000, replacing one pavilion at Holiday Park and one at Beals Park at a cost of \$10,000 each.

For the township's business-type activities, the budget for next year holds sewer rates constant. Wholesale commodity rates have increased only moderately and the current rate structure allows for targeted capital improvements.

Contacting the Township's Financial Management

This financial report is designated to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the township's finances and to demonstrate the township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer's Office at 5428 E. Apple, Muskegon, Michigan 49442.

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Statement of Net Assets

June 30, 2004

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents (note A5 and B)	\$ 1,388,317	\$ 1,603,450	\$ 2,991,767
Investments (note A5 and B)	378,779	345,183	723,962
Receivables (note A6)			
Accounts	11,733	110,184	121,917
Special assessments	-	106,835	106,835
Notes	-	390,032	390,032
Due from other governmental units	138,286	-	138,286
Prepaid items (note A7)	118,827	5,806	124,633
Wastewater facility rights (net of accumulated amortization of \$209,135) (note A8)	-	70,413	70,413
	2,035,942	2,631,903	4,667,845
Capital assets (note A9 and C)			
Land, construction in progress and other assets not being depreciated	239,623	-	239,623
Other capital assets, net of depreciation	929,692	1,772,350	2,702,042
Total capital assets	1,169,315	1,772,350	2,941,665
TOTAL ASSETS	\$ 3,205,257	\$ 4,404,253	\$ 7,609,510

The notes to the financial statements are an integral part of this statement.

LIABILITIES AND NET ASSETS	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	\$ 33,520	\$ 1,937	\$ 35,457
Accrued liabilities	65,718	1,622	67,340
Due to other governmental units	-	8,244	8,244
Other liabilities	4,278	446	4,724
	103,516	12,249	115,765
Long-term liabilities (note A10, A11 and F)			
Due within one year			
Bonds payable	-	114,000	114,000
Compensated absences	15,565	3,247	18,812
Due in more than one year			
Bonds payable	-	400,808	400,808
Compensated absences	15,565	-	15,565
Total long-term liabilities	31,130	518,055	549,185
Total liabilities	134,646	530,304	664,950
Net assets			
Invested in capital assets, net of related debt	1,169,315	1,772,350	2,941,665
Restricted for			
Street lights	362,081	-	362,081
Water Alliance	5,912	-	5,912
Unrestricted	1,533,303	2,101,599	3,634,902
Total net assets	3,070,611	3,873,949	6,944,560
TOTAL LIABILITIES AND NET ASSETS	\$ 3,205,257	\$ 4,404,253	\$ 7,609,510

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Statement of Activities

Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Legislative	\$ 17,726	\$ -	\$ -	\$ -
General government	547,192	51,817	-	-
Public safety	793,926	108,974	106,422	-
Public works	151,639	-	-	-
Recreation and culture	82,563	-	-	-
Other functions	309,918	-	-	-
Total governmental activities	1,902,964	160,791	106,422	-
Business-type activities				
Sewer	622,204	368,493	-	82,720
Total	\$ 2,525,168	\$ 529,284	\$ 106,422	\$ 82,720

General revenues

Property taxes, levied for general purposes

Property taxes, levied for specific purposes

State shared revenues

Cable television fees

Interest

Other

Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business- Type Activities	Total
\$ (17,726)	\$ -	\$ (17,726)
(495,375)	-	(495,375)
(578,530)	-	(578,530)
(151,639)	-	(151,639)
(82,563)	-	(82,563)
(309,918)	-	(309,918)
(1,635,751)	-	(1,635,751)
-	(170,991)	(170,991)
(1,635,751)	(170,991)	(1,806,742)
179,740	-	179,740
482,349	-	482,349
784,190	-	784,190
38,160	-	38,160
22,236	25,135	47,371
52,356	-	52,356
1,559,031	25,135	1,584,166
(76,720)	(145,856)	(222,576)
3,147,331	4,019,805	7,167,136
\$ 3,070,611	\$ 3,873,949	\$ 6,944,560

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Governmental Funds

Balance Sheet

June 30, 2004

ASSETS	General	Fire
Cash and cash equivalents (note A5 and B)	\$ 987,794	\$ -
Investments (note A5 and B)	378,779	-
Accounts receivable	11,631	-
Due from other funds (note D)	5,349	34,181
Due from other governmental units	137,688	598
Prepaid items (note A7)	78,671	40,156
TOTAL ASSETS	\$ 1,599,912	\$ 74,935
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities		
Accounts payable	\$ 13,316	\$ 12,859
Accrued liabilities	7,641	58,076
Due to other funds (note D)	34,181	-
Other liabilities	4,278	-
Total liabilities	59,416	70,935
Fund balances (note A12)		
Reserved for prepaid items	78,671	4,000
Unreserved		
Designated, reported in (note I)		
General fund	567,000	-
Undesignated, reported in		
General fund	894,825	-
Special revenue funds	-	-
Total fund balances	1,540,496	4,000
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,599,912	\$ 74,935

The notes to the financial statements are an integral part of this statement.

Street Light	Other Governmental Funds	Total Governmental Funds
\$ 369,311	\$ 25,863	\$ 1,382,968
-	-	378,779
102	-	11,733
-	-	39,530
-	-	138,286
-	-	118,827
<u>\$ 369,413</u>	<u>\$ 25,863</u>	<u>\$ 2,070,123</u>

\$ 7,332	\$ 14	\$ 33,521
-	-	65,717
-	-	34,181
-	-	4,278
<u>7,332</u>	<u>14</u>	<u>137,697</u>
-	-	82,671
-	-	567,000
-	-	894,825
<u>362,081</u>	<u>25,849</u>	<u>387,930</u>
<u>362,081</u>	<u>25,849</u>	<u>1,932,426</u>
<u>\$ 369,413</u>	<u>\$ 25,863</u>	<u>\$ 2,070,123</u>

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Reconciliation of Total Governmental Fund Balances to

Net Assets of Governmental Activities

June 30, 2004

Total governmental fund balances	\$	1,932,426
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Amounts reported for governmental activities in the statement of net assets are different because:

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

Governmental capital assets	\$	2,521,666	
Accumulated depreciation		<u>(1,352,351)</u>	1,169,315

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

Compensated absences			<u>(31,130)</u>
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Net assets of governmental activities	\$	<u>3,070,611</u>
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The notes to the financial statements are an integral part of this statement.

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2004

	General	Fire	Street Light
Revenues			
Property taxes	\$ 231,527	\$ 412,211	\$ 70,138
Licenses and permits	129,978	-	-
State revenues	784,190	-	-
Local grants and contributions	-	106,422	-
Charges for services	30,682	13,890	-
Interest	19,137	-	3,099
Other	23,123	1,847	-
Total revenues	1,218,637	534,370	73,237
Expenditures			
Current			
Legislative	17,726	-	-
General government	523,655	-	-
Public safety	146,490	601,306	-
Public works	43,110	-	92,754
Recreation and culture	73,483	-	-
Other functions	309,468	-	-
Capital outlay	44,117	200,789	-
Total expenditures	1,158,049	802,095	92,754
Excess (deficiency) of revenues over expenditures	60,588	(267,725)	(19,517)
Other financing sources (uses)			
Transfers in	-	267,725	-
Transfers out	(267,725)	-	-
Total other financing sources (uses)	(267,725)	267,725	-
Deficiency of revenues and other sources under expenditures and other uses	(207,137)	-	(19,517)
Fund balances at beginning of year	1,747,633	4,000	381,598
Fund balances at end of year	\$ 1,540,496	\$ 4,000	\$ 362,081

The notes to the financial statements are an integral part of this statement.

Other Governmental Funds		Total Governmental Funds	
\$	-	\$	713,876
	-		129,978
	-		784,190
	-		106,422
	-		44,572
	-		22,236
	-		24,970
	-		1,826,244
	-		17,726
	-		523,655
	-		747,796
	-		135,864
169			73,652
450			309,918
-			244,906
619			2,053,517
(619)		(227,273)	
-			267,725
-			(267,725)
-			-
(619)		(227,273)	
26,468			2,159,699
\$ 25,849		\$	1,932,426

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2004

Net change in fund balances - total governmental funds	\$ (227,273)
--	--------------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$ 224,117	
Current year depreciation	<u>(72,009)</u>	152,108

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Change in long-term compensated absences	<u>(1,555)</u>
--	----------------

Change in net assets of governmental activities	<u>\$ (76,720)</u>
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The notes to the financial statements are an integral part of this statement.

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MUSKEGON

Proprietary Funds

Statement of Fund Net Assets

June 30, 2004

	Business-Type Activities
	Sewer
ASSETS	
Current assets	
Cash and cash equivalents (note A5 and B)	\$ 1,603,450
Investments (note A5 and B)	345,183
Receivables	
Accounts	110,184
Assessments	26,564
Notes	85,500
Prepaid items (note A7)	5,806
Total current assets	2,176,687
Noncurrent assets	
Special assessments receivable	80,271
Notes receivable	304,532
Wastewater facility rights (net of accumulated amortization of \$209,135) (note A8)	70,413
Capital assets, net of depreciation (note A9 and C)	1,772,350
Total noncurrent assets	2,227,566
TOTAL ASSETS	\$ 4,404,253

The notes to the financial statements are an integral part of this statement.

	Business-Type Activities
LIABILITIES AND NET ASSETS	Sewer
Liabilities	
Current liabilities	
Current maturities of long-term debt	\$ 114,000
Accounts payable	1,937
Accrued liabilities	1,622
Due to other governmental units	8,244
Other liabilities	446
Compensated absences (note A10)	3,247
Total current liabilities	129,496
Noncurrent liabilities	
Long-term debt, less current maturities (note A11 and F)	400,808
Total liabilities	530,304
Net assets	
Invested in capital assets, net of related debt	1,772,350
Unrestricted (note I)	2,101,599
Total net assets	3,873,949
TOTAL LIABILITIES AND NET ASSETS	\$ 4,404,253

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Assets

Year Ended June 30, 2004

	Business-Type Activities Sewer
Operating revenues	
Charges for services	\$ 368,493
Operating expenses	
Operations	245,047
Administration	24,979
Depreciation and amortization	332,676
Total operating expenses	602,702
Operating loss	(234,209)
Nonoperating revenues (expenses)	
Interest income	25,135
Interest expense	(19,502)
Total nonoperating revenues	5,633
Loss before contributions	(228,576)
Capital contributions	82,720
Change in net assets	(145,856)
Net assets at beginning of year	4,019,805
Net assets at end of year	\$ 3,873,949

The notes to the financial statements are an integral part of this statement.

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Proprietary Funds

Statement of Cash Flows

Year Ended June 30, 2004

	Business-Type Activities Sewer
Cash flows from operating activities	
Receipts from customers	\$ 367,154
Payments to suppliers	(205,257)
Payments to employees	(67,227)
Net cash provided by operating activities	94,670
Cash flows from capital and related financing activities	
Collection of notes receivable	87,644
Collection of special assessments	66,257
Purchase of capital assets	(6,276)
Principal paid on long-term debt	(118,732)
Interest paid on long-term debt	(19,502)
Net cash provided by capital and related financing activities	9,391
Cash flows from investing activities	
Decrease in investments	106,782
Interest income	25,135
Net cash provided by investing activities	131,917
NET INCREASE IN CASH AND CASH EQUIVALENTS	235,978
Cash and cash equivalents at beginning of year	1,367,472
Cash and cash equivalents at end of year	\$ 1,603,450
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (234,209)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization	332,676
Decrease in	
Accounts receivable	(1,338)
Prepaid items	(661)
Increase (decrease) in	
Accounts payable	(1,042)
Accrued liabilities	1,969
Due to other governmental units	(2,725)
Net cash provided by operating activities	\$ 94,670

The notes to the financial statements are an integral part of this statement.

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities

June 30, 2004

	Agency Funds
ASSETS	
Cash and cash equivalents (note A5 and B)	\$ 8,595
LIABILITIES	
Due to other funds	\$ 5,349
Other liabilities	3,246
TOTAL LIABILITIES	\$ 8,595

The notes to the financial statements are an integral part of this statement.

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Notes to the Financial Statements

June 30, 2004

Note A - Summary of Significant Accounting Policies

The accounting policies of Egelston Township (township), Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to townships. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB 20 and 34 provide the township the option of electing to apply FASB pronouncements issued after November 30, 1989. The township has elected not to apply those pronouncements. The more significant accounting policies establishing GAAP and used by the township are discussed below.

The township adopted GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments Omnibus* as of July 1, 2003. Certain of the significant changes in GASB 34 include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the township's overall financial position and the results of operation.
- Government-wide financial statements prepared using full accrual accounting for all of the township's activities including capital assets.
- A change in the fund financial statements to focus on major funds.

The township also adopted GASB 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2003. GASB 38 modifies note disclosures required by GAAP. The adoption of this change in accounting principles had no effect on the financial condition or result of operations of any of the township's funds as of and for the year ended June 30, 2004, but did change some of the disclosures required for the notes to the financial statements.

1. Financial Reporting Entity

Egelston Township, Muskegon County, Michigan was organized in 1859. The township operates under an elected board composed of a supervisor, clerk, treasurer and four trustees and provides the following services as authorized by its charter: public safety (fire), sewage services, planning and zoning, culture and recreation and general administrative services.

As required by GASB 14, the financial statements present the township (the primary government) and its component units, entities for which the township is considered to be financially accountable. Based upon the application of these criteria, there were no component units required to be included in the financial reporting entity of the township.

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Notes to the Financial Statements - Continued

June 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

1. Financial Reporting Entity (continued)

Joint Ventures

• Central Operations for Police Services

The township is a member of an area-wide central dispatch system, Central Operations for Police Services. It is a joint venture of nine governmental units governed by a board composed of representatives of the participants. It is financed through an emergency telephone surcharge to the public and through annual member assessments based upon population, composite state equalized valuation of property and the average of service calls placed. The township does not report an equity interest in this joint venture in these financial statements because the township does not have an explicit and measurable right to the joint venture's resources. The township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial information based on the September 30, 2003 audit report of Central Operations for Police Services follows:

General Fund	
Total assets	\$ 1,554,240
Total liabilities	136,581
Fund balance	\$ 1,417,659
Revenues	\$ 3,052,078
Expenditures	2,118,002
Revenues over expenditures	\$ 934,076
General fixed assets account group	\$ 2,080,810
General long-term debt account group	\$ 393,448

Complete financial statements for Central Operations for Police Services can be obtained from their administrative office at 860 Terrace Street, Muskegon, Michigan 49443.

• The Muskegon County Landfill Authority

The township is a participant with two other area governmental units in The Muskegon County Landfill Authority, a solid waste disposal system currently operated under a contract by the Muskegon County Department of Public Works. The township does not report an equity interest in this joint venture in these financial statements because the township does not have an explicit and measurable right to the joint venture's resources. The township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial information based on the December 31, 1998 audit report of The Muskegon County Landfill Authority follows:

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Notes to the Financial Statements - Continued

June 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

1. Financial Reporting Entity (continued)

Joint Ventures (continued)

• The Muskegon County Landfill Authority (continued)

General Fund	
Total assets	\$ 21,206
Total liabilities	-
Fund balance	\$ 21,206
Revenues and other financing sources	
Expenditures	\$ 6,873
	1,685
Revenues and other financing sources over expenditures	\$ 5,188
General fixed assets account group	
	\$ 338,837

Complete financial statements for The Muskegon County Landfill Authority can be obtained from their office at 1990 Apple Avenue, Muskegon, Michigan 49442.

• The Muskegon Regional Water Alliance

The township is a member of an area-wide water alliance, the Muskegon Regional Water Alliance. It is a joint venture of seven governmental units governed by a board composed of representatives of the participants. It is financed through member assessments. The purpose of the alliance is to review, advise and participate in non-binding negotiations on behalf of participating municipalities regarding all issues involving water service within Muskegon County. The township does not report an equity interest in this joint venture in these financial statements because the township does not have an explicit and measurable right to the joint venture's resources. The township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The township maintains a special revenue fund to account for the assets, liabilities and activity of the alliance as the township is the financial custodian of the organization. The alliance has a May 31 year end. Financial information for the alliance based on the June 30, 2004 audit report of the township follows:

General Fund	
Total assets	\$ 5,912
Total liabilities	-
Fund balance	\$ 5,912
Revenues	
Expenditures	\$ -
	450
Revenues under expenditures	\$ (450)

Complete financial statements for the Muskegon Regional Water Alliance can be obtained from their office at 5382 East Apple Avenue, Muskegon, Michigan 49442.

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Notes to the Financial Statements - Continued

June 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

2. Basis of Accounting - Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the township as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the township and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the township.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the township's policy to use restricted resources first, then unrestricted resources as they are needed.

3. Basis of Accounting - Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the township or meets the following criteria:

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Notes to the Financial Statements - Continued

June 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

3. Basis of Accounting - Fund Financial Statements (continued)

- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The township reports the following major funds:

General Fund

The general fund is the general operating fund of the township. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from state shared revenues, property taxes and licenses and permits.

Special Revenue Funds

Fire Fund - To account for a special millage levied by the township for the general operations and capital expenditures of the fire department.

Street Light Fund - To account for a special millage levied by the township for the operation and maintenance of the township's street lights.

Enterprise Fund

Sewer Fund - To account for user charges, operating expenses and debt service of the township's sewer system.

The following is a description of the three major categories and various fund types within those categories into which the funds are grouped:

Governmental Funds

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

EDELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Notes to the Financial Statements - Continued

June 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

3. Basis of Accounting - Fund Financial Statements (continued)

Governmental Funds (continued)

Revenue Recognition

"Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The township considers property taxes, special assessments, licenses, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within two months of year end. Reimbursements due for expenditure-driven grants are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

Expenditure Recognition

The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The following is a description of the governmental fund types of the township:

General Fund

The general fund is the general operating fund of the township. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from state shared revenues, property taxes and licenses and permits.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Notes to the Financial Statements - Continued

June 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

3. Basis of Accounting - Fund Financial Statements (continued)

Proprietary Funds

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility receivables are recorded at year end.

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 of the sewer fund are charges to customers for sales and services. The sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following is a description of the proprietary fund type of the township:

Enterprise Funds

Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Fiduciary Funds (Not Included in Government-Wide Financial Statements)

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support township programs.

Agency Funds

Agency funds are used to account for assets held by the township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles for all general and special revenue funds. The township follows these procedures in establishing the budgetary data reflected in the financial statements:

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Notes to the Financial Statements - Continued

June 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

4. Budgets and Budgetary Accounting (continued)

- Prior to June 30, the township clerk submits to the 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.
- Public hearings are conducted at the township hall to obtain taxpayer comments.
- The budget is adopted by resolution before July 1.
- The transfer of budgeted amounts between departments within any fund or any revisions that alter the total expenditures of any fund must be approved by the township board.
- Budgeted amounts are presented as originally adopted, or as amended by the township board before June 30, 2004. Individual amendments were not material in relation to the original appropriations which were amended.
- Formal budget integration is employed as a management control device during the year for the general and special revenue funds.
- Budgetary control is exercised at the department level in the general fund, and at the expenditure or "fund" level for the special revenue funds.
- Budgets as presented are prepared on the modified accrual basis of accounting.
- All budgetary appropriations lapse at the end of the year.

5. Deposits and Investments

Statutes authorize the township to deposit and invest in the following:

- In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures no more than 270 days after the date of purchase.
- In United States government or federal agency obligation repurchase agreements.
- In banker's acceptances of United States banks.

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Notes to the Financial Statements - Continued

June 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

5. Deposits and Investments (continued)

- In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

- In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The township board has authorized the township to invest in municipal investment funds. The township's investment in these funds is classified as 'cash and cash equivalents' on the combined balance sheet.

For the purpose of the statement of cash flows, the township considers all assets held in the cash and investment pool to be cash and cash equivalents because the investments can be withdrawn at any time, similar to a demand deposit account.

Investments with a maturity of greater than one year at the date of purchase are stated at fair value, and all other investments are stated at cost or amortized cost.

6. 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 "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Property taxes attach as enforceable liens on property as of December 1. Taxes are levied on December 1 of the following year and are payable from the date of levy through February 28. Taxes levied December 1 are recognized as revenue when they become available for appropriation, which is the fiscal year during which they are levied. The township bills and collects its own property taxes and also collects for the county and school districts. Collections of all taxes and remittance of them to other taxing authorities are accounted for in the current tax account fund.

The 2003 taxable value of the township totaled \$135,261,167, on which ad valorem taxes levied consisted of 1.1954 mills for the general operation of the township, 1.8971 mills for fire protection, .4893 mills for fire operation, and .4893 mills for street lights.

The 2003 state equalized valuation of the township was \$173,990,100.

7. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Notes to the Financial Statements - Continued

June 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

8. Wastewater Facility Rights

The township is a participant in the Muskegon County Wastewater Management System, a wastewater treatment facility owned and operated by the county. Members are charged usage fees based on the volume of wastewater treated. In addition, each member municipality has pledged its full faith and credit in repayment of their allocated shares of long-term debt of the system.

The township accounts for the group of transactions substantially in accordance with APB 17, Intangible Assets. The contract payable to Muskegon County is presented as long-term debt. The township's investment in the intangible asset is presented as wastewater facility rights.

The investment in wastewater rights is amortized over the life of the debt issue.

9. Capital Assets and Depreciation

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 township 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 of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Sewage systems	20 - 50
Building and improvements	20 - 35
Motor vehicles and equipment	5 - 15

10. Compensated Absences

Township employees are granted vacation and sick leave in varying amounts based on length of service and employee group. The township follows the accounting and reporting principles outlined in GASB 16, with regards to employees vacation and sick leave.

Unused vacation and sick leave days are paid to employees upon termination under limits that vary by employee group.

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, a liability for these amounts is reported in the governmental funds only for employee termination as of year-end while the proprietary funds report the liability as it is incurred.

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Notes to the Financial Statements - Continued

June 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

11. Long-Term Obligations

In the government-wide financial statements and the 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 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.

12. 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 segregated for a specific purpose. Reserves exist for prepaid items as those items will be expended in subsequent years. Designations of fund balance represent tentative management plans that are subject to change.

Note B - Cash, Cash Equivalents and Investments

Deposits

At year end, the carrying amount of the township's bank deposits was \$3,009,453 and the bank balance was \$2,909,852. Of the bank balance, \$1,100,000 was covered by federal depository insurance and \$1,809,852 was uninsured and uncollateralized.

The township's deposits are categorized below according to level of credit risk:

- Category 1 represents the township's insured or collateralized deposits with securities held by the township or by its agent in the township's name.
- Category 2 represents the township's collateralized deposits with securities held by the pledging financial institution's trust department or agent in the township's name.
- Category 3 represents the township's uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the township's name.

	Category			Bank Balance	Carrying Amount
	1	2	3		
Demand deposits	\$ 400,000	\$ -	\$ 1,117,502	\$ 1,517,502	\$ 1,617,111
Time deposits	700,000	-	692,350	1,392,350	1,392,342
	\$ 1,100,000	\$ -	\$ 1,809,852	\$ 2,909,852	\$ 3,009,453

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Notes to the Financial Statements - Continued

June 30, 2004

Note B - Cash, Cash Equivalents and Investments (continued)

Investments

Investments are categorized below to give an indication of the level of risk assumed by the entity at year end:

- Category 1 includes investments that are insured or registered, or for which the securities are held by the township or by its agent in the township's name.
- Category 2 includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in the township's name.
- Category 3 includes uninsured and unregistered investments, with securities held by the counterparty, or by its trust department or agent but not in the township's name.

	Carrying Amount
Investments not subject to categorization:	
Investment pool	\$ 709,522

Total deposits and investments at June 30, 2004, were \$3,718,975, and are presented as follows:

Balance Sheet Classification	Combined Total
Governmental Funds Balance Sheet	
Cash and cash equivalents	\$ 1,382,968
Investments	378,779
Statement of Fund Net Assets - Proprietary Funds	
Enterprise Fund	
Cash and cash equivalents	1,603,450
Investments	345,183
Statement of Fiduciary Net Assets - Fiduciary Funds	
Cash and cash equivalents	8,595
	<u>\$ 3,718,975</u>

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Notes to the Financial Statements - Continued

June 30, 2004

Note C - Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Governmental activities				
Capital assets being depreciated				
Land improvements	\$ 124,949	\$ 78,484	\$ -	\$ 203,433
Buildings	850,150	-	-	850,150
Office equipment	70,804	-	-	70,804
Vehicles	823,581	180,000	-	1,003,581
Equipment	134,621	19,454	-	154,075
Total capital assets being depreciated	2,004,105	277,938	-	2,282,043
Less accumulated depreciation				
Land improvements	36,631	8,537	-	45,168
Buildings	367,431	20,747	-	388,178
Office equipment	70,626	179	-	70,805
Vehicles	692,963	38,627	-	731,590
Equipment	112,691	3,919	-	116,610
Total accumulated depreciation	1,280,342	72,009	-	1,352,351
Net capital assets being depreciated	723,763	205,929	-	929,692
Capital assets not being depreciated				
Land	229,710	-	-	229,710
Construction in progress	63,733	9,913	(63,733)	9,913
Total capital assets not being depreciated	293,443	9,913	(63,733)	239,623
Total governmental activities capital assets net of depreciation	\$ 1,017,206	\$ 215,842	\$ (63,733)	\$ 1,169,315

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Notes to the Financial Statements - Continued

June 30, 2004

Note C - Capital Assets (continued)

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Business-type activities				
Capital assets being depreciated				
Sewer system	\$ 8,317,082	\$ -	\$ -	\$ 8,317,082
Operating equipment	235,082	6,276	(39,403)	201,955
Building	18,613	-	-	18,613
Total capital assets being depreciated	8,570,777	6,276	(39,403)	8,537,650
Less accumulated depreciation				
Sewer system	6,294,994	284,054	-	6,579,048
Operating equipment	214,092	7,143	(39,403)	181,832
Building	3,955	465	-	4,420
Total accumulated depreciation	6,513,041	291,662	(39,403)	6,765,300
Total business-type activities capital assets net of depreciation	\$ 2,057,736	\$ (285,386)	\$ -	\$ 1,772,350

Depreciation was charged to programs of the township as follows:

Governmental activities	
General government	\$ 21,982
Public safety	25,341
Public works	15,775
Recreation and culture	8,911
Total governmental activities depreciation expense	\$ 72,009
Business-type activities	
Sewer	\$ 291,662

Note D - Interfund Receivables and Payables

Interfund receivables and payables consisted of the following at June 30, 2004:

Fund	Interfund Receivable	Fund	Interfund Payable
General	\$ 5,349	Current Tax	\$ 5,349
Fire	34,181	General	34,181
	\$ 39,530		\$ 39,530

Property taxes are collected in a central tax collection fund from where they are distributed to the various taxing jurisdictions – including the township. Amounts owed the township at June 30, 2004 are shown as interfund payables/receivables. Other interfund payables/receivables consist of temporary loans to cover cash shortfalls in a given fund.

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Notes to the Financial Statements - Continued

June 30, 2004

Note E - Interfund Transfers

Interfund transfers consisted of the following at June 30, 2004:

Fund	Transfers In	Fund	Transfers Out
Fire	\$ 267,725	General	\$ 267,725

The transfer from the general fund to the fire fund was to support the operations of the fire department and pay for a new fire truck.

Note F - Long-Term Debt

Long-term debt and compensated absences at June 30, 2004, consisted of the following:

Governmental Activities

Long-term compensated absences	\$ 31,130
--------------------------------	-----------

Business-Type Activities

\$843,700 - Muskegon County Wastewater Management System - Number One, 1996 Series Refunding Bonds; due in final installment of \$101,242 in July 2005; interest at 5.70%	\$ 101,242
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\$428,906 - Muskegon County Wastewater Management System - Number One, Refunding Bond Issue of 2002; due in annual installments of \$12,272 to \$130,697 through July 2009; interest at 2.25% to 5.00%	413,566
Total bonds and loans payable	514,808

Long-term compensated absences	3,247
Total business-type activities long-term liabilities	\$ 518,055

The annual requirements to amortize all bonds and loans outstanding as of June 30, 2004, including interest of \$84,138 follows:

Years ending June 30,	<u>Business-Type Activities</u>	
	Principal	Interest
2005	\$ 114,128	\$ 25,724
2006	12,272	19,696
2007	130,697	19,420
2008	129,469	12,886
2009	128,242	6,412
	\$ 514,808	\$ 84,138

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Notes to the Financial Statements - Continued

June 30, 2004

Note F - Long-Term Debt (continued)

The following is a summary of long-term debt and compensated absences transactions for the year ended June 30, 2004:

	Balance July 1, 2003	Additions	Repayments	Balance June 30, 2004
Business-type bonds and loans	\$ 633,540	\$ -	\$ (118,732)	\$ 514,808
Long-term compensated absences	32,065	2,312	-	34,377
	\$ 665,605	\$ 2,312	\$ (118,732)	\$ 549,185

The full faith and credit of the township has been pledged for the repayment of the loan payable. There are a number of limitations and restrictions contained in the various loan agreements. The township is in substantial compliance with all significant limitations and restrictions.

Note G - Defined Contribution Pension 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. As established by Internal Revenue Code Section 408(c), the township contributes 15% of the employees' gross earnings. In accordance with these requirements, the township contributed \$88,225 during the year ended June 30, 2004.

Note H - 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 risk of loss by purchasing commercial insurance for liability, health and property insurance. Settled claims resulting from these risks have not exceeded commercial 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 assuring 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.

Note I - Designated Fund Equity

Unreserved net assets designated for specific purposes are as follows:

<u>Business-Type Activities</u>	
Designated for future expenditures	\$ 500,000
Undesignated	1,601,599
	<u>\$ 2,101,599</u>

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Notes to the Financial Statements - Continued

June 30, 2004

Note I - Designated Fund Equity (continued)

Unreserved fund balance designated for specific purposes is as follows:

<u>General Fund</u>	
Designated for road improvements	\$ 30,000
Designated for park improvements	172,000
Designated for equipment replacement	150,000
Designated for building improvements	60,000
Designated for cemetery improvements	60,000
Designated for library improvements	50,000
Designated for other expenditures	45,000
	<u>\$ 567,000</u>

Note J - Contingent Liabilities

The township is currently in negotiation with a former firefighter regarding wages and benefits retroactive to July 1, 2003. The township has accrued in the fire fund a reasonable estimate of costs. In the opinion of the township, resolution of this matter is not expected to have a material effect on the fire fund results of operations or financial condition.

The township is party to various legal proceedings and claims which normally occur in government operations. Although the outcome of the legal proceedings and claims is not presently determinable, it is the opinion of the township's management that the resolution of these matters will not have a material adverse effect on the financial condition of the township.

Note K - Excess of Expenditures over Appropriations in Budgetary Funds

P.A. 621 of 1978, section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2004 the township incurred expenditures in certain budgetary funds which were significantly in excess of the amounts appropriated as follows:

Fund	Amended Budget	Amount of Expenditures	Budget Variance
General			
Capital outlay	\$ 38,192	\$ 44,117	\$ (5,925)
Transfers out	259,656	267,725	(8,069)
Fire	200,789	200,789	-

All expenditures over appropriations have either been paid by transfers from other funds or by the reduction of the current fund balance.

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Notes to the Financial Statements - Continued

June 30, 2004

Note L - State Construction Code Act

P.A. 245 of 1999, section 22(1) of the State Construction Code Act, requires fees generated by enforcing agencies or construction board of appeals be intended to bear a reasonable relationship to the actual cost of performing those services.

The fees generated by the township's enforcing agencies and the costs of providing those services were as follows for the year ended June 30, 2004:

Revenues	
Enforcement fees - building permits	\$ 94,678
Expenditures	
Salaries	93,031
Payroll taxes and fringe benefits	22,045
Supplies	1,997
Legal	177
Miscellaneous	2,012
Total expenditures	119,262
Deficiency of revenues under expenditures	\$ (24,584)

REQUIRED SUPPLEMENTARY INFORMATION

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues				
Property taxes				
Real and personal property	\$ 171,862	\$ 172,095	\$ 161,216	\$ (10,879)
Industrial facilities tax	9,779	9,779	9,746	(33)
Tax collection fees	41,300	51,693	51,787	94
Interest and penalties	1,500	2,666	2,961	295
Miscellaneous	-	-	5,817	5,817
Total property taxes	224,441	236,233	231,527	(4,706)
Licenses and permits				
Cable television franchise fees	28,000	28,000	38,160	10,160
Business licenses	-	30	30	-
Building permits	35,000	50,827	50,826	(1)
Plumbing permits	5,000	10,306	10,306	-
Electrical permits	10,000	16,695	16,695	-
Housing inspections	300	300	-	(300)
Mechanical permits	6,800	13,464	13,464	-
Miscellaneous permits	1,800	1,897	497	(1,400)
Total licenses and permits	86,900	121,519	129,978	8,459
State revenues				
State shared revenues	874,028	874,028	784,190	(89,838)
Charges for services				
Grave site openings and sales	16,200	28,242	28,242	-
Site plan sales	800	2,440	2,440	-
Total charges for services	17,000	30,682	30,682	-
Interest	13,000	13,000	19,137	6,137
Other				
Reimbursements	1,000	1,000	554	(446)
Miscellaneous	12,310	32,816	22,569	(10,247)
Total other	13,310	33,816	23,123	(10,693)
Total revenues	1,228,679	1,309,278	1,218,637	(90,641)

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual - Continued

Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Expenditures				
Legislative				
Township board	\$ 18,000	\$ 18,000	\$ 17,726	\$ 274
 General government				
Supervisor	42,300	42,300	39,381	2,919
Elections	7,900	3,563	1,403	2,160
Assessor	44,000	44,000	42,699	1,301
Clerk	76,312	79,201	78,754	447
Treasurer	78,662	80,110	78,555	1,555
Township hall	75,162	67,456	43,429	24,027
Board of review	2,300	2,300	2,130	170
Board of appeals	2,700	2,711	2,709	2
Cemetery	22,565	24,052	16,011	8,041
Professional services	25,800	45,854	43,728	2,126
Office clerk	52,182	53,024	53,022	2
Maintenance	104,363	125,083	121,834	3,249
Total general government	534,246	569,654	523,655	45,999
 Public safety				
Inspections	102,033	102,033	97,216	4,817
Sheriff	47,100	49,785	49,274	511
Total public safety	149,133	151,818	146,490	5,328
 Public works				
Landfill	12,200	12,200	10,492	1,708
Roads	500	42,250	27,499	14,751
Planning commission	5,500	5,489	5,119	370
Total public works	18,200	59,939	43,110	16,829
 Recreation and culture				
Recreation programs and park maintenance	40,902	53,144	52,876	268
Library	23,935	22,315	20,607	1,708
Total recreation and culture	64,837	75,459	73,483	1,976

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual - Continued

Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Other functions				
Employee benefits				
Hospitalization and life insurance	\$ 173,754	\$ 180,713	\$ 174,664	\$ 6,049
Social security	33,525	33,525	33,359	166
Retirement	60,200	52,399	51,823	576
Unemployment	1,000	1,000	18	982
Office machine services	7,200	7,200	6,461	739
Professional services	3,500	3,500	(1,184)	4,684
Publishing and printing	4,000	4,000	1,996	2,004
Insurance and bonds	44,900	45,721	28,317	17,404
Miscellaneous	29,600	30,895	14,014	16,881
Total other functions	357,679	358,953	309,468	49,485
Capital outlay				
City buildings	20,000	10,123	9,913	210
Cemetery	10,000	14,311	10,996	3,315
Recreation and culture	24,000	11,758	23,208	(11,450)
Library	2,000	2,000	-	2,000
Maintenance	10,000	-	-	-
Total capital outlay	66,000	38,192	44,117	(5,925)
Total expenditures	1,208,095	1,272,015	1,158,049	113,966
Excess of revenues over expenditures	20,584	37,263	60,588	23,325
Other financing uses				
Transfers out	(19,656)	(259,656)	(267,725)	(8,069)
Excess (deficiency) of revenues over expenditures and other uses	928	(222,393)	(207,137)	15,256
Fund balances at beginning of year	1,747,633	1,747,633	1,747,633	-
Fund balances at end of year	\$ 1,748,561	\$ 1,525,240	\$ 1,540,496	\$ 15,256

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Fire Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues				
Property taxes	\$ 420,406	\$ 420,818	\$ 412,211	\$ (8,607)
Local grants and contributions	-	106,422	106,422	-
Charges for services	15,000	15,770	13,890	(1,880)
Other	300	1,948	1,847	(101)
Total revenues	435,706	544,958	534,370	(10,588)
Expenditures				
Current				
Public safety				
Wages	257,461	261,534	273,679	(12,145)
Benefits	94,124	108,392	102,869	5,523
Supplies	12,500	100,937	98,227	2,710
Maintenance	14,500	40,436	40,425	11
Dispatch service	6,600	6,600	6,202	398
Telephone	3,000	4,438	4,438	-
Gas	3,400	5,042	5,042	-
Public relations	1,500	1,500	1,435	65
Insurance	32,000	34,714	32,894	1,820
Utilities	14,577	15,483	15,482	1
Miscellaneous	5,700	22,071	20,613	1,458
Total public safety	445,362	601,147	601,306	(159)
Capital outlay	10,000	200,789	200,789	-
Total expenditures	455,362	801,936	802,095	(159)
Deficiency of revenues under expenditures	(19,656)	(256,978)	(267,725)	(10,747)
Other financing sources				
Transfers in	19,656	259,656	267,725	8,069
Excess of revenues and other sources over expenditures	-	2,678	-	(2,678)
Fund balances at beginning of year	4,000	4,000	4,000	-
Fund balances at end of year	\$ 4,000	\$ 6,678	\$ 4,000	\$ (2,678)

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Street Light Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues				
Property taxes	\$ 71,887	\$ 72,047	\$ 70,138	\$ (1,909)
Interest	3,500	3,500	3,099	(401)
Total revenues	75,387	75,547	73,237	(2,310)
Expenditures				
Current				
Public works				
Electricity	102,227	102,227	92,754	9,473
Deficiency of revenues under expenditures	(26,840)	(26,680)	(19,517)	7,163
Fund balances at beginning of year	381,598	381,598	381,598	-
Fund balances at end of year	\$ 354,758	\$ 354,918	\$ 362,081	\$ 7,163

SUPPLEMENTAL FINANCIAL INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Festival Fund - To account for the revenues and expenditures of the township's annual festival.

Water Alliance Fund - To account for the revenues and expenditures of funds received from the participating municipalities in the Muskegon Regional Water Alliance.

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Non-Major Governmental Funds

Combining Balance Sheet

June 30, 2004

<hr/>			
ASSETS	Festival	Water Alliance	Total
Cash and cash equivalents	\$ 19,951	\$ 5,912	\$ 25,863
<hr/>			
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 14	\$ -	\$ 14
Fund balances			
Unreserved			
Undesignated	19,937	5,912	25,849
<hr/>			
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,951	\$ 5,912	\$ 25,863
<hr/>			

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2004

	Festival	Water Alliance	Total
Expenditures			
Current			
Recreation and culture	\$ 169	\$ -	\$ 169
Other functions	-	450	450
Total expenditures	169	450	619
 Deficiency of revenues under expenditures	 (169)	 (450)	 (619)
 Fund balances at beginning of year	 20,106	 6,362	 26,468
 Fund balances at end of year	 \$ 19,937	 \$ 5,912	 \$ 25,849

AGENCY FUNDS

Agency funds are used to account for assets held by the township in a trustee capacity for individuals, private organizations, other governments or other funds.

Payroll Fund - To account for the collections and disbursements of funds to other entities and individuals and to account for payroll withholding and their remittance to the appropriate governmental agencies.

Current Tax Fund - To account for levy, collection and payment of taxes levied for the general and other funds of the township, county and public school districts.

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Agency Funds

Combining Statement of Assets and Liabilities

June 30, 2004

ASSETS	Payroll	Current Tax Account	Totals
Cash and cash equivalents	\$ 3,246	\$ 5,349	\$ 8,595
<u>LIABILITIES</u>			
Due to other funds	\$ -	\$ 5,349	\$ 5,349
Other liabilities	3,246	-	3,246
TOTAL LIABILITIES	\$ 3,246	\$ 5,349	\$ 8,595

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Agency Funds

Statement of Changes in Assets and Liabilities

June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<u>PAYROLL</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 7,969	\$ 1,132,254	\$ 1,136,977	\$ 3,246
Accounts receivable	2,646	-	2,646	-
Due from other funds	-	740,819	740,819	-
TOTAL ASSETS	\$ 10,615	\$ 1,873,073	\$ 1,880,442	\$ 3,246
<u>LIABILITIES</u>				
Due to other governmental units	\$ -	\$ 262,139	\$ 262,139	\$ -
Due to other funds	-	5,708	5,708	-
Other liabilities	10,615	608,757	616,126	3,246
TOTAL LIABILITIES	\$ 10,615	\$ 876,604	\$ 883,973	\$ 3,246
<u>CURRENT TAX ACCOUNT</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 676	\$ 4,945,102	\$ 4,940,429	\$ 5,349
<u>LIABILITIES</u>				
Due to other funds	\$ -	\$ 695,600	\$ 690,251	\$ 5,349
Due to other governmental units	676	3,226,728	3,227,404	-
Other liabilities	-	5,954,649	5,954,649	-
TOTAL LIABILITIES	\$ 676	\$ 9,876,977	\$ 9,872,304	\$ 5,349
<u>ALL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 8,645	\$ 6,077,356	\$ 6,077,406	\$ 8,595
Accounts receivable	2,646	-	2,646	-
Due from other funds	-	740,819	740,819	-
TOTAL ASSETS	\$ 11,291	\$ 6,818,175	\$ 6,820,871	\$ 8,595
<u>LIABILITIES</u>				
Due to other funds	\$ -	\$ 701,308	\$ 695,959	\$ 5,349
Due to other governmental units	676	3,488,867	3,489,543	-
Other liabilities	10,615	6,563,406	6,570,775	3,246
TOTAL LIABILITIES	\$ 11,291	\$10,753,581	\$10,756,277	\$ 8,595

SCHEDULE OF INDEBTEDNESS

EGELSTON TOWNSHIP, MUSKEGON COUNTY, MICHIGAN

Schedule of Indebtedness

June 30, 2004 and 2003

	Date of Issue	Amount of Issue
Business-Type Activities Bonds and Loans Payable		
Muskegon County Wastewater Management System - Number One, 1996 Series Refunding Bonds	5-1-96	\$ 843,700
Muskegon County Wastewater Management System - Number One, Refunding Bond Issue of 2002	10-8-02	428,906

Total Bonds and Loans Payable

Interest Rate	Date of Maturity	Balance Outstanding June 30,		Annual Interest Payable
		2003	2004	
5.10 %	7-1-04	\$ 103,392	\$ -	\$ -
5.70	7-1-05	101,242	101,242	5,770
		<u>204,634</u>	<u>101,242</u>	<u>5,770</u>
2.00	7-1-04	15,340	-	-
2.25	7-1-05	12,886	12,886	19,954
5.00	7-1-06	12,272	12,272	19,696
5.00	7-1-07	130,697	130,697	19,420
5.00	7-1-08	129,469	129,469	12,886
5.00	7-1-09	128,242	128,242	6,412
		<u>428,906</u>	<u>413,566</u>	<u>78,368</u>
		<u>\$ 633,540</u>	<u>\$ 514,808</u>	<u>\$ 84,138</u>