

Charter Township of Union

Financial Statements

December 31, 2018



Table of Contents

Section	Page
1 List of Elected and Appointed Officials	1 – 1
2 Independent Auditors' Report	2 – 1
3 Management's Discussion and Analysis	3 – 1
4 Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	4 – 1
Statement of Activities	4 – 3
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4 – 4
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	4 – 6
Statement of Revenues, Expenditures and Changes in Fund Balances	4 – 7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 – 8
Proprietary Funds	
Statement of Net Position	4 – 9
Statement of Revenues, Expenses and Changes in Fund Net Position	4 – 11
Statement of Cash Flows	4 – 13
Fiduciary Funds	
Statement of Fiduciary Net Position	4 – 15
Component Unit Funds	
Combining Statement of Component Units Statement of Net Position	4 – 16
Combining Statement of Component Units Statement of Activities	4 – 17
Notes to the Financial Statements	4 – 18

Section	Page
5	
Required Supplementary Information	
Budgetary Comparison Schedule	
General Fund	5 – 1
Fire Fund	5 – 4
6	
Other Supplementary Information	
Nonmajor Governmental Funds	
Combining Balance Sheet	6 – 1
Combining Statement of Revenue, Expenditures and Changes in Fund Balance	6 – 2
Component Unit – East Downtown Development Authority	
Balance Sheet	6 – 3
Reconciliation of Fund Balances of Component Unit to Net Position of Component Unit	6 – 4
Statement of Revenues, Expenditures and Changes in Fund Balances	6 – 5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Component Units to the Statement of Activities	6 – 6
Component Unit – West Downtown Development Authority	
Balance Sheet	6 – 7
Reconciliation of Fund Balances of Component Unit to Net Position of Component Unit	6 – 8
Statement of Revenues, Expenditures and Changes in Fund Balances	6 – 9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Component Units to the Statement of Activities	6 – 10
7	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	7 – 1

Charter Township of Union
List of Elected and Appointed Officials
December 31, 2018

Board of Trustees

Ben Gunning, Supervisor

Lisa Cody, Clerk

Kim Rice, Treasurer

Bill Hauck, Trustee

Tim Lannen, Trustee

Phil Mikus, Trustee

Norm Woerle, Trustee

Other Officers and Officials

Mark Stuhldreher, Township Manager

Sherrie Teall, Finance Director



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Independent Auditors' Report

Management and Board of Trustees
Charter Township of Union
Mt. Pleasant, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Union, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Union, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters:

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charter Township of Union's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2019 on our consideration of Charter Township of Union's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Charter Township of Union's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charter Township of Union's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Alma, Michigan
May 10, 2019

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2018**

This section of the Charter Township of Union's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended December 31, 2018.

FINANCIAL HIGHLIGHTS

- The Township's combined total net position is \$31.9 million for the fiscal year ended December 31, 2018, compared to \$30.2 million last fiscal year.
- The combined total net position increased by \$1.7 million.
- In the Township's governmental activities, revenues generated \$3.1 million, while expenses were \$2.3 million.
- In the Township's business-type activities, revenues generated \$4.8 million, while expenses were \$3.9 million.
- The total revenues of all Township programs, including government and business-type activities was \$7.8 million, up \$0.8 million from last fiscal year.
- The total cost of all Township programs, including governmental and business-type activities was \$6.1 million, up \$0.2 million from last fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components:

- 1) government-wide financial statements
- 2) fund financial statements
- 3) notes to the financial statements

This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide statements are designed to provide readers with an overview of the Township's finances, as a whole, in a manner similar to a private sector business. The *statement of net position* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net position. The *statement of activities* presents all of the Township's revenues and expenses and is reported based on when the event occurs that creates the revenue or expense, regardless of when cash is received or paid.

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2018**

The government-wide statements of the Charter Township of Union are divided into two categories:

- 1) **Governmental Activities** – Most of the Township's basic services are included here, such as public safety, fire protection, public works, parks and recreation, community development, and general administration. Property taxes, state shared revenue, and charges for services finance most of these activities.
- 2) **Business-type Activities** – The Township's business-type activities include water and sewer. Fees are charged to customers to recover all or a significant portion of certain services each fund provides.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Charter Township of Union has three types of funds:

Governmental Funds – Many of the Township's basic services are included in governmental funds which focus on how cash and other financial assets that can be readily converted into cash flow in and out. The funds also show the balances left at year-end that are available for spending.

The governmental funds focus on a short-term view, rather than the long-term focus of the government-wide statements, so additional information is provided after each of the governmental fund statements that explain the relationship or differences between the fund and government-wide statements.

The Township maintains 4 individual governmental funds. Separate information is provided for the General Fund and Fire Protection Fund, each of which are considered to be a "major" fund. Data from the 2 other governmental funds, the Public Improvement Fund and the Tribal Grants Fund, are combined into a single column labeled "non-major governmental funds".

The Township adopts an annual budget for each of its governmental funds. Budgetary comparison statements have been provided for the major funds to demonstrate compliance with those budgets.

Proprietary Funds – Proprietary funds are used to report services where the Township charges a fee to the customer to recover most or all of the cost of the service rendered. Proprietary funds provide both long and short-term financial information. The two types of proprietary funds are enterprise and internal service funds. The Township does not have any internal service funds.

The Township has 2 enterprise funds, the Water Fund and the Sewer Fund. The proprietary fund financial statements provide separate information for the Water Fund and Sewer Fund, which are considered to be major funds of the Township.

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2018**

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected in the Government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

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.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary information for the Township. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

TOWNSHIP'S SUMMARY OF NET POSITION

The following summarizes the Township's net position at December 31, 2018 and 2017:

The Township's total combined net position for the fiscal year ended December 31, 2018 is \$31.9 million, made up of \$25.1 million in business-type activities, and \$6.8 million in governmental activities.

Combined unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, is \$11.2 million. Business-type activities unrestricted total is \$7.1 million, while the unrestricted governmental activities net asset total is \$4.1 million.

A portion of the Township's net position (59%) reflects its investment in capital assets (e.g. land, buildings, equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2018**

Charter Township of Union Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Assets						
Current assets	\$ 7,035,226	\$ 6,121,899	\$ 7,912,809	\$ 6,970,150	\$ 14,948,035	\$ 13,092,049
Capital assets	953,140	1,014,472	25,602,649	25,803,018	26,555,789	26,817,490
Total assets	7,988,366	7,136,371	33,515,458	32,773,168	41,503,824	39,909,539
Deferred outflows of resources						
Deferred amount on refunding	-	-	116,239	154,986	116,239	154,986
Total assets and deferred outflows of resources	7,988,366	7,136,371	33,631,697	32,928,154	41,620,063	40,064,525
Liabilities						
Current liabilities	115,970	107,680	1,098,700	742,433	1,214,670	850,113
Long-term liabilities	15,647	27,094	7,430,156	7,978,781	7,445,803	8,005,875
Total liabilities	131,617	134,774	8,528,856	8,721,214	8,660,473	8,855,988
Deferred inflows of resources						
Property taxes	1,063,356	1,012,984	-	-	1,063,356	1,012,984
Total liabilities and deferred inflows of resources	1,194,973	1,147,758	8,528,856	8,721,214	9,723,829	9,868,972
Net position						
Net investment in capital assets	926,046	976,808	17,737,426	17,428,524	18,663,472	18,405,332
Restricted	1,734,741	1,455,937	239,175	200,463	1,973,916	1,656,400
Unrestricted	4,132,606	3,555,868	7,126,240	6,577,953	11,258,846	10,133,821
Total net position	\$ 6,793,393	\$ 5,988,613	\$ 25,102,841	\$ 24,206,940	\$ 31,896,234	\$ 30,195,553

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2018**

TOWNSHIP'S SUMMARY OF CHANGES IN NET POSITION

The following summarizes the Township's changes in net position for the fiscal years ended December 31, 2018 and 2017:

Governmental Activities

Net position for governmental activities increased by \$0.8 million during the year ended December 31, 2018, compared to a \$0.4 million increase last year.

The Township's total governmental revenue is \$3.1 million in 2018, an increase of \$0.4 million over the prior year. The increase is mostly due to an increase in contributions from the Saginaw Chippewa Indian Tribe in 2018.

Expenses for governmental activities totaled \$2.3 million, which was no increase or decrease over the prior year.

Business-type Activities

Net position for business-type activities increased by \$0.9 million during the year ended December 31, 2018, compared to a \$0.7 million increase last year.

Total revenue from business-type activities was \$4.8 million in 2018, which was an increase of \$0.6 million over the prior year. The increase is due to State grants received during the year.

Expenses for business-type activities totaled \$3.9 million, an increase of \$0.4 million from the prior year. The increase was due to an increase in new water/sewer connections, water study costs, managed I.T. services, and legal fees in 2018.

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2018**

Charter Township of Union Change in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for services	\$ 433,105	\$ 410,698	\$ 4,096,946	\$ 4,147,019	\$ 4,530,051	\$ 4,557,717
Operating grants and contributions	26,871	59,743	356,151	4,553	383,022	64,296
Capital grants and contributions	256,974	-	198,343	-	455,317	-
General revenues						
Property taxes	1,071,063	1,056,263	-	-	1,071,063	1,056,263
State shared revenue	1,161,406	1,127,555	-	-	1,161,406	1,127,555
Unrestricted investment earnings	99,008	56,724	104,872	78,690	203,880	135,414
Miscellaneous	6,740	29,923	14,042	16,705	20,782	46,628
Total revenues	<u>3,055,167</u>	<u>2,740,906</u>	<u>4,770,354</u>	<u>4,246,967</u>	<u>7,825,521</u>	<u>6,987,873</u>
Expenses						
General government	809,150	774,511	-	-	809,150	774,511
Public safety	968,381	951,161	-	-	968,381	951,161
Public works	219,309	339,543	-	-	219,309	339,543
Community and economic development	118,982	114,689	-	-	118,982	114,689
Recreation and culture	131,845	130,518	-	-	131,845	130,518
Interest on long-term debt	2,720	3,530	-	-	2,720	3,530
Sewer	-	-	2,269,734	2,188,197	2,269,734	2,188,197
Water	-	-	1,604,719	1,349,401	1,604,719	1,349,401
Total expenses	<u>2,250,387</u>	<u>2,313,952</u>	<u>3,874,453</u>	<u>3,537,598</u>	<u>6,124,840</u>	<u>5,851,550</u>
Change in net position	804,780	426,954	895,901	709,369	1,700,681	1,136,323
Net position - beginning of year	<u>5,988,613</u>	<u>5,561,659</u>	<u>24,206,940</u>	<u>23,497,571</u>	<u>30,195,553</u>	<u>29,059,230</u>
Net position - end of year	<u>\$ 6,793,393</u>	<u>\$ 5,988,613</u>	<u>\$ 25,102,841</u>	<u>\$ 24,206,940</u>	<u>\$ 31,896,234</u>	<u>\$ 30,195,553</u>

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2018**

Charter Township of Union's Funds

Analysis of the Charter Township of Union's major funds begins on page 4-4, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant individual funds, not the Township as a whole. Funds are created to help manage money for specific purposes, as well as show accountability for certain activities, such as specific property tax millage and restricted receipts from federal and state sources.

The General Fund is the chief operating fund of the Township and one of two governmental funds that is considered a major fund. It pays for most of the Township's governmental services. Its major components of revenue are property taxes and state shared revenue. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4.1 million. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 283% of total General Fund expenditures including transfers to other funds. The fund balance of the General Fund increased by about \$577,000 during the current fiscal year due to increased revenue sharing, increased interest earned, decrease in legal fees, and fewer contributions to road projects.

The fund balance of the Fire Fund increased by about \$54,000 during the current fiscal year, this amount is being set aside for the future increases in the fire contract with the City of Mt Pleasant.

The Water and Sewer Funds are the Township's two major Proprietary Funds. The net position of the Sewer Fund increased by approximately \$658,000 during the year. The increase was partly due to State grants received, contributions from the Economic Development Authority for projects, and increased interest earned. The net position of the Water Fund increased by approximately \$238,000 during the year. The increase was partly due to State grants received, contributions from the Economic Development Authority for projects, and interest earned on investments.

General Fund Budgetary Highlights

Budgets reflect best estimates of the next year's financial events. Budget amendments are often required to adjust for unexpected events and timing differences between when events are anticipated to happen and when they actually occur. The statements, schedules and notes included in the financial statements present comparisons of original budget, amended budget and actual revenues and expenditures.

The Charter Township of Union had no issues balancing the budget in the past several years, and this year was no exception. The Township continues to grow and remains financially strong with General Fund revenues increasing each year, and overall General Fund expenditures being well under budget. The revenues in the 2018 original budget were estimated \$94,551 higher than expenditures. However, this estimated surplus was amended to expected revenues in excess of expenditures of \$230,467.

One of the challenges the Township faces in budgeting revenues is estimating building and zoning permit fees which fluctuate from year to year. As the Township grows, it is uncertain if new construction will increase or decrease when compared to past years. Another challenge is budgeting expenditures for Township contributions to the Isabella County Road Commission for several road construction projects. The road projects are a large part of the Township's general fund budget, and the projects can take more than one year to complete. The General Fund budget is amended mid-year when the progress on the various projects is easier to estimate. In 2018, the Township reduced the budgeted amounts for public works by

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2018**

\$37,800, due to completed road projects that cost less than expected or road projects that were not expected to be complete at year-end. Overall, when the 2018 budget was amended, total estimated revenues increased \$89,705 and total estimated expenditures were reduced by \$46,211, changing the estimated surplus (deficit) for the year from \$94,551 to \$230,467.

In the fiscal year 2018, the General Fund budget for revenues increased by approximately \$90,000 from the original budget to the final amended budget. This was partly due to revenue sharing we expected to receive from the State of Michigan. The amended budget for State revenue sharing was \$55,000 higher than the original budget of \$1,064,000 for revenue sharing. The budget for State revenue sharing was amended mid-year. In addition, interest income was higher than expected when the original budget was created. Interest rates have been increasing for the Certificates of Deposit that we purchase/renew, and the Township has also increased the investments in CD's in 2018 which required a General Fund budget amendment for interest earned of \$39,000. The Township also reduced our budget for Other Revenue by \$19,500 when we realized we wouldn't receive as much in miscellaneous income.

General Fund appropriations decreased by \$46,000 from original budget to final amended budget in fiscal year 2018. Following are some of the notable details for these changes:

In the General Government area, the budget was increased \$15,600 in the Elections Department when it was determined election costs would be higher than expected for the year due to two elections being held. Extra funds were needed to pay election workers and purchase election supplies. Also, the Information Technology budget was increased \$30,800 for 5+ year old computer replacements, Microsoft Office upgrades, fixed asset accounting software reinstatement, and cost centered BS&A support fees. Increased salaries and wages budgets were also recognized in the departments to account for collective bargaining agreements that were ratified mid-year.

The Parks and Rec budget in the general fund was reduced by \$15,000 for the parks master plan update when it was determined that it wouldn't be done in 2018.

In the Community and Economic Development area, the original budget for the Planning Department was reduced when it was determined that the zoning code update expenditure would be lower than originally budgeted and the zoning software support fees being redirected to the Information Technology Department.

In the Capital Outlay area, the 2018 budget was increased \$16,000 for the purchase of new video equipment in the board room that allows for better recording of board meetings, a new podium for the board room, and a folder inserter machine to assist with tax bill mailings and other misc mailings.

Overall, the total expenditures in the general fund were under budget by \$285,643. However, the Building Department was over budget for the year by \$3,222. This was due to professional and contractual services actual amounts spent were higher than estimated in the budget.

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2018**

CAPITAL ASSETS

The Charter Township of Union's primary government has \$26,555,789 invested in capital assets net of depreciation. Capital assets include all tangible assets that exceed \$5,000 in value and have an expected useful life of greater than two years. Capital assets include land, land improvements, sidewalks, buildings, equipment, vehicles and sewer and water systems. The Township uses straight line depreciation ranging from three to fifty years useful life. From fiscal year 2017 to 2018, net capital assets decreased \$61,332 for Governmental Activities and decreased \$200,369 for Business-type Activities. Additional details of capital assets can be found in the Notes to Financial Statements beginning on page 4-25. A summary of the capital assets for the Township's primary government follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Capital assets not being depreciated						
Land	\$ 160,650	\$ 160,650	\$ 275,780	\$ 275,780	\$ 436,430	\$ 436,430
Construction in progress	-	-	482,087	-	482,087	-
Capital assets being depreciated						
Land improvements	329,743	329,743	41,964	41,964	371,707	371,707
Building & improvements	1,089,260	1,089,260	202,927	202,927	1,292,187	1,292,187
Machinery and equipment	251,973	251,973	1,755,754	1,680,215	2,007,727	1,932,188
Vehicles	314,821	314,821	413,185	413,185	728,006	728,006
Water system	-	-	13,219,503	13,110,949	13,219,503	13,110,949
Sewer system	-	-	13,869,377	13,719,285	13,869,377	13,719,285
Wastewater treatment plant	-	-	12,567,029	12,567,029	12,567,029	12,567,029
Total capital assets	2,146,447	2,146,447	42,827,606	42,011,334	44,974,053	44,157,781
Less: accumulated depreciation	(1,193,307)	(1,131,975)	(17,224,957)	(16,208,316)	(18,418,264)	(17,340,291)
Capital assets, net	\$ 953,140	\$ 1,014,472	\$ 25,602,649	\$ 25,803,018	\$ 26,555,789	\$ 26,817,490

LONG-TERM DEBT

Bonded Debt

The Township's current debt outstanding has been issued to fund capital improvements for new water and sewer infrastructure. For the total primary government, \$547,000 of the debt was retired in 2018. In addition, bond discounts were amortized in the amount of \$2,680 for the year.

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2018**

The Business-type Activities of the Township have \$7,971,981 in outstanding bonded debt as of December 31, 2018. Of the outstanding debt, \$2,650,000 is general obligation bonded debt, and \$5,342,651 is revenue bonds. The general obligation bonded debt is indirect debt issued by Isabella County on the Township's behalf. The revenue bonded debt is direct debt issued by the Township itself.

Currently, there is no bonded debt outstanding for the Governmental Activities of Charter Township of Union.

Capital Lease Debt

In 2016, the Charter Township of Union entered into a capital lease agreement with Xerox for the purchase of seven new copiers that are used in primary government operations. At December 31, 2018, the Governmental Activities had \$27,094 in long-term debt outstanding on the lease and Business-type Activities had \$9,481 in long-term debt outstanding on the lease.

Compensated Absences

In the Governmental Activities, the liability for compensated absences increased by \$214 for the year. In Business-type Activities, the accrual for compensated absences increased by \$7,021.

A summary of the long-term debt outstanding for the Township's primary government follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ -	\$ -	\$ 7,971,981	\$ 8,516,301	\$ 7,971,981	\$ 8,516,301
Capital lease	27,094	37,664	9,481	13,179	36,575	50,843
Compensated absences	14,572	14,358	75,142	68,121	89,714	82,479
	<u>\$ 41,666</u>	<u>\$ 52,022</u>	<u>\$ 8,056,604</u>	<u>\$ 8,597,601</u>	<u>\$ 8,098,270</u>	<u>\$ 8,649,623</u>

CURRENT ECONOMIC EVENTS

The Township's budget for the next fiscal year is balanced with no property tax rate increase for general operations; the millage for fire protection services is 2.0 mills. The Township's taxable value and property tax revenues have increased about 2.5% since 2015, this is mainly due to the growth in the Township being offset by personal property taxes for small business no longer being assessed and the reductions created by tax tribunal cases filed with the State of Michigan. Management continues to keep abreast of the possible changes to taxable values and property tax revenues from year to year.

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2018**

In 2019, the Township expects to receive about the same amount of General Fund revenues compared to 2018. However, there is always uncertainty in state revenue sharing levels. State shared sales tax revenue is made up of two components. The constitutional component is 13% of the gross collections of the 6% state sales tax. This portion cannot be adjusted by the legislature. Beginning in fiscal year 2014, the Township became eligible for the statutory portion of the State's revenue sharing. The municipality must embrace accountability and transparency and publish a performance "dashboard" that is readily available to the public. This "dashboard" can be found on the Township's website on the Accounting Department tab. The Township has consistently met the requirements. Charter Township of Union anticipates qualifying for next year's funding, but State funding for this portion is uncertain from year to year. The Township budgets for the last several fiscal years were prepared with recognition of stagnant revenue sharing proceeds. In the past couple of years, however, the Township did experience an increase in revenue sharing, so management will be watching that closely to see if the increases continue into 2019 and budget appropriately.

Total expenditures in the General Fund for the next fiscal year are estimated to be \$2.2 million. Included in those expenditures are contributions to the Isabella County Road Commission for road maintenance in the amount of \$514,500 for intersection improvements on Isabella Road, an upgrade to Lincoln Road, south of the bridge, between High St and Broadway, to improve four miles of gravel roads, and three brine applications to gravel roads. The Township is working on a project with the Isabella County Road Commission to improve the safety of certain intersections of Isabella Road. The total project is expected to cost \$1.3 million and will be shared by MDOT, Isabella County Road Commission, the Township and the Saginaw Chippewa Indian Tribe.

There is \$100,000 in the 2019 budget for sidewalk improvements. Improvements are planned along Lincoln Road between Pickard and High St. We also expect to contribute funds toward a new Central Michigan University connector pathway which runs near three leaves drive and is situated between Denison Drive and West Campus Drive.

At the end of 2018, the Township was in the process of updating the zoning code and it should be complete toward the end of 2019 or early 2020. The Township has not updated the code for many years and management is looking forward to utilizing the new code to benefit the constituents of the Township.

The Township Board recently approved the purchase of a new fire truck. Over the past several years, the Township has set aside \$447,573 cumulatively, to purchase a new fire truck so no new debt will be needed to finance the purchase. The fire truck is currently in the process of being built and is expected to arrive toward the end of 2019 or in early 2020.

At the end of 2018, the Township received a grant for \$76,974 from the Saginaw Chippewa Indian Tribe to help improve the baseball fields in our parks. This grant was shared 50/50 with the City of Mt. Pleasant so the baseball fields could be improved at the Township's McDonald Park, as well as the City's Pickens Field. The improvements are currently underway and are expected to be complete prior to mid-July 2019 when the Union Township Little League and Mt. Pleasant Little League are hosting the Michigan Major Little League State Tournament. These enhancements to the baseball fields will showcase our community as a recreation destination in the State of Michigan, and be enjoyed by Little League groups, residents, and visitors for years to come.

Township management is looking forward to future use of the new zoning code, parks improvements, and more road and sidewalk improvements overall making the Township a better place in which to live and work.

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2018**

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances. If you have questions about this report or would like additional information, contact the Township finance office at 989-772-4600. Additional information can also be obtained at the Township's website, www.uniontownshipmi.com.

Charter Township of Union
Statement of Net Position
December 31, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 5,844,567	\$ 6,065,218	\$ 11,909,785	\$ 2,276,010
Receivables				
Taxes	570,680	-	570,680	125,024
Customers	33,722	952,323	986,045	5,599
Special assessments	116,356	69,933	186,289	-
Accrued interest and other	1,393	1,977	3,370	824
Due from other units of government	395,378	485,249	880,627	591,295
Due from fiduciary funds	49,475	-	49,475	-
Prepaid items	23,655	98,934	122,589	1,255
Restricted assets				
Cash and cash equivalents	-	239,175	239,175	-
Capital assets not being depreciated	160,650	757,867	918,517	-
Capital assets, net of accumulated depreciation	792,490	24,844,782	25,637,272	112,712
 Total assets	 7,988,366	 33,515,458	 41,503,824	 3,112,719
Deferred outflows of resources				
Deferred amount on refunding	-	116,239	116,239	-
 Total assets and deferred outflows of resources	 7,988,366	 33,631,697	 41,620,063	 3,112,719

See Accompanying Notes to the Financial Statements

Charter Township of Union
Statement of Net Position
December 31, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Accounts payable	\$ 70,131	\$ 417,025	\$ 487,156	\$ 142,420
Accrued and other liabilities	19,820	55,227	75,047	-
Noncurrent liabilities				
Due within one year	26,019	626,448	652,467	-
Due in more than one year	15,647	7,430,156	7,445,803	-
 Total liabilities	 131,617	 8,528,856	 8,660,473	 142,420
Deferred inflows of resources				
Property taxes	1,063,356	-	1,063,356	716,319
 Total liabilities and deferred inflows of resources	 1,194,973	 8,528,856	 9,723,829	 858,739
Net position				
Net investment in capital assets	926,046	17,737,426	18,663,472	112,712
Restricted				
Fire	1,179,617	-	1,179,617	-
Tribal grants	246,718	-	246,718	-
Capital projects	308,406	-	308,406	-
Bond required reserves	-	239,175	239,175	-
East DDA	-	-	-	1,125,203
West DDA	-	-	-	1,016,065
Unrestricted	4,132,606	7,126,240	11,258,846	-
 Total net position	 \$ 6,793,393	 \$ 25,102,841	 \$ 31,896,234	 \$ 2,253,980

See Accompanying Notes to the Financial Statements

Charter Township of Union
Statement of Activities
For the Year Ended December 31, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 809,150	\$ 300,130	\$ 6,932	\$ -	\$ (502,088)	\$ -	\$ (502,088)	\$ -
Public safety	968,381	112,283	19,939	-	(836,159)	-	(836,159)	-
Public works	219,309	20,692	-	256,974	58,357	-	58,357	-
Community and economic development	118,982	-	-	-	(118,982)	-	(118,982)	-
Recreation and culture	131,845	-	-	-	(131,845)	-	(131,845)	-
Interest on long-term debt	2,720	-	-	-	(2,720)	-	(2,720)	-
Total governmental activities	<u>2,250,387</u>	<u>433,105</u>	<u>26,871</u>	<u>256,974</u>	<u>(1,533,437)</u>	<u>-</u>	<u>(1,533,437)</u>	<u>-</u>
Business-type activities								
Sewer	2,269,734	2,505,599	326,802	38,491	-	601,158	601,158	-
Water	1,604,719	1,591,347	29,349	159,852	-	175,829	175,829	-
Total business-type activities	<u>3,874,453</u>	<u>4,096,946</u>	<u>356,151</u>	<u>198,343</u>	<u>-</u>	<u>776,987</u>	<u>776,987</u>	<u>-</u>
Total primary government	<u>\$ 6,124,840</u>	<u>\$ 4,530,051</u>	<u>\$ 383,022</u>	<u>\$ 455,317</u>	<u>(1,533,437)</u>	<u>776,987</u>	<u>(756,450)</u>	<u>-</u>
Component units								
East Downtown Development Authority	\$ 469,960	\$ -	\$ 55,480	\$ -	-	-	-	(414,480)
West Downtown Development Authority	210,036	-	-	-	-	-	-	(210,036)
Total component units	<u>\$ 679,996</u>	<u>\$ -</u>	<u>\$ 55,480</u>	<u>\$ -</u>				<u>(624,516)</u>
General revenues								
Property taxes					1,071,063	-	1,071,063	997,318
State shared revenue					1,161,406	-	1,161,406	-
Unrestricted investment earnings					99,008	104,872	203,880	25,981
Miscellaneous					6,740	14,042	20,782	11,766
Total general revenues					<u>2,338,217</u>	<u>118,914</u>	<u>2,457,131</u>	<u>1,035,065</u>
Change in net position					804,780	895,901	1,700,681	410,549
Net position - beginning of year					5,988,613	24,206,940	30,195,553	1,843,431
Net position - end of year					<u>\$ 6,793,393</u>	<u>\$ 25,102,841</u>	<u>\$ 31,896,234</u>	<u>\$ 2,253,980</u>

See Accompanying Notes to the Financial Statements

Charter Township of Union
Governmental Funds
Balance Sheet
December 31, 2018

	General	Special Revenue Fund Fire	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,955,549	\$ 1,450,250	\$ 438,768	\$ 5,844,567
Receivables				
Taxes	231,326	339,354	-	570,680
Customers	33,722	-	-	33,722
Special assessments	-	-	116,356	116,356
Accrued interest and other	1,132	261	-	1,393
Due from other units of government	395,378	-	-	395,378
Due from fiduciary funds	49,475	-	-	49,475
Prepaid items	23,655	-	-	23,655
	<u>\$ 4,690,237</u>	<u>\$ 1,789,865</u>	<u>\$ 555,124</u>	<u>\$ 7,035,226</u>
Liabilities				
Accounts payable	\$ 69,949	\$ 182	\$ -	\$ 70,131
Accrued and other liabilities	19,820	-	-	19,820
	<u>89,769</u>	<u>182</u>	<u>-</u>	<u>89,951</u>

See Accompanying Notes to the Financial Statements

Charter Township of Union
Governmental Funds
Balance Sheet
December 31, 2018

	General	Special Revenue Fund Fire	Nonmajor Governmental Funds	Total Governmental Funds
Deferred inflows of resources				
Property taxes	\$ 453,290	\$ 610,066	\$ -	\$ 1,063,356
Special assessments	-	-	116,356	116,356
 Total deferred inflows of resources	 453,290	 610,066	 116,356	 1,179,712
 Fund Balances				
Non-spendable				
Prepaid items	23,655	-	-	23,655
Restricted for				
Fire	-	1,179,617	-	1,179,617
Tribal grants	-	-	246,718	246,718
Capital projects	-	-	192,050	192,050
Unassigned	4,123,523	-	-	4,123,523
 Total fund balances	 4,147,178	 1,179,617	 438,768	 5,765,563
 Total liabilities, deferred inflows of resources, and fund balances	 \$ 4,690,237	 \$ 1,789,865	 \$ 555,124	 \$ 7,035,226

See Accompanying Notes to the Financial Statements

Charter Township of Union
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
December 31, 2018

Total fund balances for governmental funds	\$ 5,765,563
Total net position for governmental activities in the statement of net position is different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	792,490
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	160,650
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	116,356
Certain liabilities are not due and payable in the current period and are not reported in the funds. Compensated absences	(14,572)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(27,094)</u>
Net position of governmental activities	<u><u>\$ 6,793,393</u></u>

Charter Township of Union
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2018

	General	Special Revenue Fund Fire	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 467,716	\$ 603,347	\$ -	\$ 1,071,063
Licenses and permits	71,694	-	-	71,694
State revenue sharing	1,161,406	-	-	1,161,406
Other state grants	6,932	19,939	-	26,871
Local contributions	-	-	256,974	256,974
Charges for services	219,360	109,655	-	329,015
Fines and forfeitures	632	-	-	632
Interest income	74,960	20,093	3,955	99,008
Rental income	10,550	-	-	10,550
Other revenue	22,097	-	36,751	58,848
Total revenues	<u>2,035,347</u>	<u>753,034</u>	<u>297,680</u>	<u>3,086,061</u>
Expenditures				
Current				
General government	746,076	-	-	746,076
Public safety	267,307	699,000	-	966,307
Public works	177,271	-	42,016	219,287
Community and economic development	118,970	-	-	118,970
Recreation and culture	118,047	-	-	118,047
Capital outlay	17,434	-	-	17,434
Debt service				
Principal retirement	10,570	-	-	10,570
Interest and fiscal charges	2,720	-	-	2,720
Total expenditures	<u>1,458,395</u>	<u>699,000</u>	<u>42,016</u>	<u>2,199,411</u>
Net change in fund balance	576,952	54,034	255,664	886,650
Fund balance - beginning of year	3,570,226	1,125,583	183,104	4,878,913
Fund balance - end of year	<u>\$ 4,147,178</u>	<u>\$ 1,179,617</u>	<u>\$ 438,768</u>	<u>\$ 5,765,563</u>

See Accompanying Notes to the Financial Statements

**Charter Township of Union
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018**

Net change in fund balances - Total governmental funds	\$ 886,650
<p>Total change in net position reported for governmental activities in the statement of activities is different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Depreciation expense	(61,332)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.</p>	
Special assessments	(30,894)
<p>Expenses are recorded when incurred in the statement of activities.</p>	
Compensated absences	(214)
<p>Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>	
Repayments of long-term debt	<u>10,570</u>
Change in net position of governmental activities	<u><u>\$ 804,780</u></u>

Charter Township of Union
Proprietary Funds
Statement of Net Position
December 31, 2018

	Enterprise Funds		
	Sewer	Water	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 2,954,090	\$ 3,111,128	\$ 6,065,218
Receivables			
Customers	616,101	336,222	952,323
Special assessments, current	23,807	14,820	38,627
Accrued interest and other	1,029	948	1,977
Due from other units of government	326,802	158,447	485,249
Prepaid items	51,192	47,742	98,934
Total current assets	<u>3,973,021</u>	<u>3,669,307</u>	<u>7,642,328</u>
Noncurrent assets			
Restricted assets			
Cash and cash equivalents			
USDA RRI reserve	99,175	-	99,175
USDA bond reserve	140,000	-	140,000
Special assessments receivable, deferred	472	30,834	31,306
Capital assets not being depreciated	373,170	384,697	757,867
Capital assets, net of accumulated depreciation	<u>16,155,022</u>	<u>8,689,760</u>	<u>24,844,782</u>
Total noncurrent assets	<u>16,767,839</u>	<u>9,105,291</u>	<u>25,873,130</u>
Total assets	20,740,860	12,774,598	33,515,458
Deferred outflows of resources			
Deferred amount on refunding	<u>116,239</u>	<u>-</u>	<u>116,239</u>
Total assets and deferred outflows of resources	<u>20,857,099</u>	<u>12,774,598</u>	<u>33,631,697</u>

See Accompanying Notes to the Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Net Position
December 31, 2018

	Enterprise Funds		
	Sewer	Water	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 179,451	\$ 237,574	\$ 417,025
Accrued and other liabilities	30,952	24,275	55,227
Current portion of noncurrent liabilities	504,921	121,527	626,448
Total current liabilities	715,324	383,376	1,098,700
Noncurrent liabilities			
Long-term debt net of current portion	6,052,348	1,377,808	7,430,156
Total liabilities	6,767,672	1,761,184	8,528,856
Net position			
Net investment in capital assets	10,130,784	7,606,642	17,737,426
Restricted for			
Bond required reserves	239,175	-	239,175
Unrestricted	3,719,468	3,406,772	7,126,240
Total net position	<u>\$ 14,089,427</u>	<u>\$ 11,013,414</u>	<u>\$ 25,102,841</u>

See Accompanying Notes to the Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2018

	Enterprise Funds		
	Sewer	Water	Total
Operating revenue			
Customer fees	\$ 2,416,825	\$ 1,426,701	\$ 3,843,526
Connection fees	88,774	122,153	210,927
Rental income	-	42,493	42,493
Other revenue	5,723	8,319	14,042
Total operating revenue	2,511,322	1,599,666	4,110,988
Operating expenses			
Personnel services	689,479	558,586	1,248,065
Supplies	124,314	70,134	194,448
Contractual services	130,795	131,355	262,150
Utilities	224,269	128,768	353,037
Repairs and maintenance	102,612	236,900	339,512
Other expenses	85,956	62,768	148,724
Depreciation	663,103	353,538	1,016,641
Total operating expenses	2,020,528	1,542,049	3,562,577
Operating income	490,794	57,617	548,411

See Accompanying Notes to the Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2018

	Enterprise Funds		
	Sewer	Water	Total
Nonoperating revenue (expenses)			
State grant	\$ 326,802	\$ 29,349	\$ 356,151
Interest income	51,278	53,594	104,872
Contribution from EDDA	38,491	159,852	198,343
Interest expense	(249,206)	(62,670)	(311,876)
Total nonoperating revenues	167,365	180,125	347,490
Change in net position	658,159	237,742	895,901
Net position - beginning of year	13,431,268	10,775,672	24,206,940
Net position - end of year	<u>\$ 14,089,427</u>	<u>\$ 11,013,414</u>	<u>\$ 25,102,841</u>

See Accompanying Notes to the Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2018

	Enterprise Funds		
	Sewer	Water	Total
Cash flows from operating activities			
Receipts from customers	\$ 2,167,675	\$ 1,439,288	\$ 3,606,963
Payments to suppliers	(508,940)	(439,520)	(948,460)
Payments to employees	(679,440)	(554,952)	(1,234,392)
Net cash provided by operating activities	979,295	444,816	1,424,111
Cash flows from noncapital financing activities			
State grant	326,802	29,349	356,151
Cash flows from capital and related financing activities			
Proceeds from special assessments	31,585	10,490	42,075
Capital contributions	38,491	159,852	198,343
Purchases/construction of capital assets	(336,804)	(479,468)	(816,272)
Principal and interest paid on long-term debt	(711,150)	(155,364)	(866,514)
Net cash used by capital and related financing activities	(977,878)	(464,490)	(1,442,368)
Cash flows from investing activities			
Interest received	51,249	53,578	104,827
Net change in cash and cash equivalents	379,468	63,253	442,721
Cash and cash equivalents - beginning of year	2,813,797	3,047,875	5,861,672
Cash and cash equivalents - end of year	<u>\$ 3,193,265</u>	<u>\$ 3,111,128</u>	<u>\$ 6,304,393</u>

See Accompanying Notes to the Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2018

	Enterprise Funds		
	Sewer	Water	Total
Statement of Net Position classification			
Cash and cash equivalents	\$ 2,954,090	\$ 3,111,128	\$ 6,065,218
Restricted assets			
Cash and cash equivalents			
USDA RRI reserve	99,175	-	99,175
USDA bond reserve	140,000	-	140,000
	<u>\$ 3,193,265</u>	<u>\$ 3,111,128</u>	<u>\$ 6,304,393</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 490,794	\$ 57,617	\$ 548,411
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	702,951	355,117	1,058,068
Changes in assets and liabilities			
Receivables (net)	(19,281)	(7,761)	(27,042)
Due from other units of government	(324,366)	(152,617)	(476,983)
Prepaid items	(16,479)	(21,464)	(37,943)
Accounts payable	135,637	210,290	345,927
Accrued and other liabilities	4,407	2,245	6,652
Compensated absences	5,632	1,389	7,021
	<u>\$ 979,295</u>	<u>\$ 444,816</u>	<u>\$ 1,424,111</u>

See Accompanying Notes to the Financial Statements

**Charter Township of Union
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2018**

	Current Tax Collection Fund	Imprest Payroll Fund	Total Agency Funds
Assets			
Cash and cash equivalents	\$ 3,267,349	\$ 3,646	\$ 3,270,995
Prepaid items	-	46,150	46,150
Total assets	<u>\$ 3,267,349</u>	<u>\$ 49,796</u>	<u>\$ 3,317,145</u>
Liabilities			
Accrued and other liabilities	\$ -	\$ 321	\$ 321
Due to other funds	-	49,475	49,475
Due to other units of government	3,267,349	-	3,267,349
Total liabilities	<u>\$ 3,267,349</u>	<u>\$ 49,796</u>	<u>\$ 3,317,145</u>

See Accompanying Notes to the Financial Statements

Charter Township of Union
Combining Statement of Component Units
Statement of Net Position
December 31, 2018

	East Downtown Development Authority	West Downtown Development Authority	Total
Assets			
Cash and cash equivalents	\$ 1,265,708	\$ 1,010,302	\$ 2,276,010
Receivables			
Taxes	38,161	86,863	125,024
Customers	410	5,189	5,599
Accrued interest and other	250	574	824
Due from other units of government	373,426	217,869	591,295
Prepaid items	1,255	-	1,255
Capital assets, net of accumulated depreciation	104,975	7,737	112,712
Total assets	<u>1,784,185</u>	<u>1,328,534</u>	<u>3,112,719</u>
Liabilities			
Accounts payable	142,420	-	142,420
Deferred inflows of resources			
Property taxes	411,587	304,732	716,319
Total liabilities and deferred inflows of resources	<u>554,007</u>	<u>304,732</u>	<u>858,739</u>
Net position			
Net investment in capital assets	104,975	7,737	112,712
Restricted			
East DDA	1,125,203	-	1,125,203
West DDA	-	1,016,065	1,016,065
Total net position	<u>\$ 1,230,178</u>	<u>\$ 1,023,802</u>	<u>\$ 2,253,980</u>

See Accompanying Notes to the Financial Statements

Charter Township of Union
Combining Statement of Component Units
Statement of Activities
For the Year Ended December 31, 2018

	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position		Total
		Operating Grants and Contributions	East	West	
			Downtown Development Authority	Downtown Development Authority	
Component units					
East Downtown Development Authority	\$ 469,960	\$ 55,480	\$ (414,480)	\$ -	\$ (414,480)
West Downtown Development Authority	210,036	-	-	(210,036)	(210,036)
 Total component units	 \$ 679,996	 \$ 55,480	 (414,480)	 (210,036)	 (624,516)
General revenues					
Property taxes			396,035	601,283	997,318
Interest income			17,699	8,282	25,981
Miscellaneous			11,766	-	11,766
 Total general revenues			 425,500	 609,565	 1,035,065
Change in net position			11,020	399,529	410,549
Net position - beginning of year			1,219,158	624,273	1,843,431
Net position - end of year			<u>\$ 1,230,178</u>	<u>\$ 1,023,802</u>	<u>\$ 2,253,980</u>

See Accompanying Notes to the Financial Statements

Charter Township of Union
Notes to the Financial Statements
December 31, 2018

Note 1 - Summary of Significant Accounting Policies

Reporting entity

The Charter Township of Union, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen townships in Isabella County. The Township is governed by an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four Trustees and provides services to its residents in many areas including water and sewer, general government, fire protection and prevention, maintenance of highway, streets and bridges, and community enrichment.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Discretely Presented Component Units – The component unit column in the entity wide financial statements includes the financial data of the Township's East Downtown Development Authority and West Downtown Development Authority. These units are reported in a separate column to emphasize that they are legally separate from the Township. The members of the Governing Board of the Downtown Development Authorities are appointed by the Board of Trustees. The budgets and expenditures of the Downtown Development Authorities must be approved by the Board of Trustees. The Township also has the ability to significantly influence operations of the Downtown Development Authorities. The Downtown Development Authorities do not issue any other form of financial statements except as contained in the Charter Township of Union annual financial statements.

In 2014, the Township created a Brownfield Redevelopment Authority ("Authority") to promote the redevelopment of environmentally distressed, functionally obsolete and/or blighted areas of the Township. The Authority has not yet had any financial activity.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Government 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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.

Charter Township of Union
Notes to the Financial Statements
December 31, 2018

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. The Township's property taxes are recognized as revenues in the fiscal year following 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.

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, sales 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 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 government reports the following major governmental funds:

The General Fund is the Township'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 accounts for resources used to provide fire services to residents of the Township and the surrounding area.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution system.

Additionally, the government reports the following:

The Nonmajor Special Revenue Fund accounts for the proceeds of a specific revenue source requiring separate accounting because of administrative requirements.

The Capital Projects Fund accounts for the proceeds of special assessments, and the improvements made with those funds.

The Agency Fund accounts for assets held by the Township acting as an agent for individuals and/or other funds. The Township's agency funds include the Current Tax Collection Fund and an Imprest Payroll Fund.

Charter Township of Union
Notes to the Financial Statements
December 31, 2018

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and 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.

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 and water funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water 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.

Assets, liabilities, and net position or equity

Deposits – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/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. The Township considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Although the Township's 2018 tax is levied and collectible on December 1, 2018, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of Township operations. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2017 taxable valuation of the government totaled \$357,404,703, on which ad valorem taxes consisted of 1.000 mills for operating purposes and 2.000 mills for fire services. This resulted in \$357,405 for operating expenses and \$714,809 for fire services, exclusive of East Downtown Development and West Downtown Development tax captures, as well as any Michigan Tax Tribunal or Board of Review adjustments.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the Township follows the consumption method, and they therefore are capitalized as prepaid items in both entity-wide and fund financial statements.

Charter Township of Union
Notes to the Financial Statements
December 31, 2018

Restricted assets – Certain bonds of the Enterprise Funds require amounts to be set aside for a bond reserve and future operations and maintenance. These amounts have been classified as restricted cash.

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

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

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

Land improvements	10 - 20 years
Buildings and improvements	7 - 50 years
Machinery and equipment	5 - 25 years
Vehicles	5 - 20 years
Water and sewer systems	10 - 50 years

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the government-wide financial statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt.

Compensated absences – It is the Township’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Policies are as follows:

Employees hired on or before December 31, 2014 who give proper resignation after 20 years of service will be paid for 50% of their accumulated but unused sick leave days.

Employees whose employment relationship with the Township ends receive pay for earned and credited, but unused vacation leave if the employee retires in accordance with the retirement plan in effect or if the employee resigns from employment and a minimum of 2 weeks advance written notice is given to the Township.

Vacation and sick pay is accrued when incurred in the government-wide and proprietary 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 position. Bond premiums and discounts 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.

Charter Township of Union
Notes to the Financial Statements
December 31, 2018

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.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred inflows in each respective fund as of December 31.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the government's highest level of decision-making, its Board of Trustees. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Trustees.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Trustees. The Board

of Trustees has not approved a policy indicating who is to assign amounts to a specific purpose. As a result, this authority is retained by the Board of Trustees. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

The Township has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, resources with the highest level of restriction will be used first.

Upcoming Accounting and Reporting Changes

The Governmental Accounting Standards Board has released the following Statements.

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending December 31, 2019.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets

Charter Township of Union
Notes to the Financial Statements
December 31, 2018

specific criteria. The requirements of this Statement are effective for the fiscal year ending December 31, 2019.

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this Statement are effective for the fiscal year ending December 31, 2020.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities should be included when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending December 31, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest

cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending December 31, 2020.

The Township is evaluating the impact that the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance and Accountability

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to December 31, the Township Manager submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. Public hearings are held to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to December 31.

Charter Township of Union
Notes to the Financial Statements
December 31, 2018

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Manager is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Board of Trustees.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Note 3 - Deposits and Investments

At year end the government's deposits were reported in the financial statements as follows:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Total
Governmental activities	\$ 5,844,567	\$ -	\$ 5,844,567
Business-type activities	6,065,218	239,175	6,304,393
Total primary government	11,909,785	239,175	12,148,960
Fiduciary funds	3,270,995	-	3,270,995
Component unit	2,276,010	-	2,276,010
Total	<u>\$ 17,456,790</u>	<u>\$ 239,175</u>	<u>\$ 17,695,965</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Units	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 12,148,560	\$ 3,270,995	\$ 2,276,010	\$ 17,695,565
Petty cash and cash on hand	400	-	-	400
	<u>\$ 12,148,960</u>	<u>\$ 3,270,995</u>	<u>\$ 2,276,010</u>	<u>\$ 17,695,965</u>

Interest rate risk – The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market rate interest rates, by structuring the investment portfolio to attain a market average rate of return while taking into account investment risk constraints and liquidity needs.

Credit risk – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Charter Township of Union
Notes to the Financial Statements
December 31, 2018

The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of bank failure, the government’s deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$16,720,577 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Receivables

The only receivables not expected to be collected within one year are as follows:

	Due After One Year	Fund
Primary government		
Special assessments	\$ 43,007	Public Improvement Fund
Special assessments	472	Sewer Fund
Special assessments	30,834	Water Fund
	<u>\$ 74,313</u>	

Note 5 - Capital Assets

At year end capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 160,650	\$ -	\$ -	\$ 160,650
Capital assets being depreciated				
Land improvements	329,743	-	-	329,743
Buildings, additions and improvements	1,089,260	-	-	1,089,260
Machinery and equipment	251,973	-	-	251,973
Vehicles	314,821	-	-	314,821
Total capital assets being depreciated	1,985,797	-	-	1,985,797
Less accumulated depreciation for				
Land improvements	271,647	13,491	-	285,138
Buildings, additions and improvements	409,337	21,897	-	431,234
Machinery and equipment	183,383	19,266	-	202,649
Vehicles	267,608	6,678	-	274,286
Total accumulated depreciation	1,131,975	61,332	-	1,193,307
Net capital assets being depreciated	853,822	(61,332)	-	792,490
Governmental activities capital assets, net	<u>\$ 1,014,472</u>	<u>\$ (61,332)</u>	<u>\$ -</u>	<u>\$ 953,140</u>

Charter Township of Union
Notes to the Financial Statements
December 31, 2018

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 275,780	\$ -	\$ -	\$ 275,780
Construction in progress	-	482,087	-	482,087
Total capital assets not being depreciated	275,780	482,087	-	757,867
Capital assets being depreciated				
Land improvements	41,964	-	-	41,964
Buildings, additions and improvements	202,927	-	-	202,927
Machinery and equipment	1,680,215	75,539	-	1,755,754
Vehicles	413,185	-	-	413,185
Water system	13,110,949	108,554	-	13,219,503
Sewer system	13,719,285	150,092	-	13,869,377
Wastewater treatment plant	12,567,029	-	-	12,567,029
Total capital assets being depreciated	41,735,554	334,185	-	42,069,739
Less accumulated depreciation for				
Land improvements	29,757	1,322	-	31,079
Buildings, additions and improvements	112,376	5,631	-	118,007
Machinery and equipment	891,958	114,395	-	1,006,353
Vehicles	211,349	23,731	-	235,080
Water system	4,662,207	293,617	-	4,955,824
Sewer system	7,180,742	305,530	-	7,486,272
Wastewater treatment plant	3,119,927	272,415	-	3,392,342
Total accumulated depreciation	16,208,316	1,016,641	-	17,224,957
Net capital assets being depreciated	25,527,238	(682,456)	-	24,844,782
Business-type capital assets, net	\$ 25,803,018	\$ (200,369)	\$ -	\$ 25,602,649

Capital assets activity of the component units for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Component Units				
East Downtown Development Authority				
Capital assets being depreciated				
Land improvements	\$ 233,279	\$ -	\$ -	\$ 233,279
Less accumulated depreciation for				
Land improvements	116,639	11,665	-	128,304
East Downtown Development Authority capital assets, net	\$ 116,640	\$ (11,665)	\$ -	\$ 104,975
West Downtown Development Authority				
Capital assets being depreciated				
Land improvements	\$ 15,473	\$ -	\$ -	\$ 15,473
Less accumulated depreciation for				
Land improvements	6,963	773	-	7,736
West Downtown Development Authority capital assets, net	\$ 8,510	\$ (773)	\$ -	\$ 7,737
Total component units	\$ 125,150	\$ (12,438)	\$ -	\$ 112,712

Charter Township of Union
Notes to the Financial Statements
December 31, 2018

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 47,304
Public safety	1,979
Recreation and culture	12,049
Total governmental activities	<u>61,332</u>
Business-type activities	
Sewer	663,103
Water	353,538
Total business-type activities	<u>1,016,641</u>
Total primary government	<u><u>\$ 1,077,973</u></u>

Depreciation expense was charged to the following programs for component units:

East Downtown Development Authority	\$ 11,665
West Downtown Development Authority	<u>773</u>
Total component units	<u><u>\$ 12,438</u></u>

Construction Commitments

Project	Total Project	Amount Spent	Remaining Balance
Sewer Fund			
Pump station #1 replacement	\$ 428,525	\$ 38,470	\$ 390,055
Pump station #14 upgrade	277,550	28,126	249,424
Water plant office remodel	91,486	47,894	43,592
	<u>797,561</u>	<u>114,490</u>	<u>683,071</u>
Water Fund			
Water main loop project	331,325	319,014	12,311
Water plant office remodel	91,486	47,894	43,592
	<u>422,811</u>	<u>366,908</u>	<u>55,903</u>
	<u><u>\$ 1,220,372</u></u>	<u><u>\$ 481,398</u></u>	<u><u>\$ 738,974</u></u>

Note 6 - Interfund Receivables and Payables

The imprest payroll fund, a fiduciary fund, owes the general fund \$49,475 at December 31, 2018. The imprest payroll fund pays health insurance during the month prior to the coverage month. Funds of the Township which record benefits expense for employees record the expense in the month of coverage and transfer amounts to the imprest payroll fund during that month.

Charter Township of Union
Notes to the Financial Statements
December 31, 2018

Note 7 - Capital Lease

The Township has a lease for copy machines. The future minimum lease payments are as follows:

<u>Year ending December 31,</u>	
2019	\$ 17,940
2020	17,940
2021	<u>4,485</u>
Total minimum lease payments	40,365
Less amount representing interest	<u>(3,790)</u>
Present value of minimum lease payments	<u><u>\$ 36,575</u></u>
Asset	
Machinery and equipment	\$ 73,731
Less accumulated depreciation	<u>(38,641)</u>
Total	<u><u>\$ 35,090</u></u>

Note 8 - Long-Term Debt

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Other long-term obligations include a capital lease and compensated absences. Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Capital leases	\$ 37,664	\$ -	\$ 10,570	\$ 27,094	\$ 11,447
Compensated absences	14,358	23,826	23,612	14,572	14,572
Total governmental activities	<u>\$ 52,022</u>	<u>\$ 23,826</u>	<u>\$ 34,182</u>	<u>\$ 41,666</u>	<u>\$ 26,019</u>
Business-type activities					
Bonds and notes payable					
General obligation bonds					
2009 Wastewater Refunding Bonds	\$ 1,535,000	\$ -	\$ 365,000	\$ 1,170,000	\$ 375,000
2010 Water Revenue Bonds	1,570,000	-	90,000	1,480,000	95,000
2011 Sanitary Sewer System (Phase I)	1,010,000	-	17,000	993,000	17,000
2011 Sanitary Sewer System (Phase II)	4,424,651	-	75,000	4,349,651	77,000
	<u>8,539,651</u>	<u>-</u>	<u>547,000</u>	<u>7,992,651</u>	<u>564,000</u>
Less deferred amounts for issuance discounts	<u>(23,350)</u>	<u>-</u>	<u>(2,680)</u>	<u>(20,670)</u>	<u>-</u>
Total bonds payable	8,516,301	-	544,320	7,971,981	564,000
Capital leases	13,179	-	3,698	9,481	3,699
Compensated absences	68,121	65,770	58,749	75,142	58,749
Total business-type activities	<u>\$ 8,597,601</u>	<u>\$ 65,770</u>	<u>\$ 606,767</u>	<u>\$ 8,056,604</u>	<u>\$ 626,448</u>
Component units					
General obligation bonds					
1991 WDDA Series II	\$ 31,128	\$ -	\$ 31,128	\$ -	\$ -
Less deferred amounts for issuance discounts	<u>(950)</u>	<u>-</u>	<u>(950)</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 30,178</u>	<u>\$ -</u>	<u>\$ 30,178</u>	<u>\$ -</u>	<u>\$ -</u>

Charter Township of Union
Notes to the Financial Statements
December 31, 2018

Significant details regarding outstanding long-term debt are presented below:

Primary Government

<p>\$4,130,000 Wastewater Refunding Bonds Series 2009 dated August 27, 2009, due in annual installments ranging from \$365,000 to \$405,000 through April 1, 2021, with an interest rate ranging from 3.90 to 4.00 percent, payable semi-annually.</p>	\$ 1,170,000
<p>\$2,105,000 General Obligation Water Revenue Bonds Series 2010 dated July 21, 2010, due in annual installments ranging from \$90,000 to \$155,000 through October 1, 2030, with an interest rate ranging from 3.20 to 4.40 percent, payable semi-annually.</p>	1,480,000
<p>\$1,100,000 Sewer System Revenue Bonds dated November 1, 2011, due in annual installments ranging from \$17,000 to \$47,000 through May 1, 2051, with an interest rate of 3.25 percent, payable semi-annually.</p>	993,000
<p>\$1,424,5110 Sewer System Revenue Bonds dated July 17, 2013, due in annual installments ranging from \$75,000 to \$189,000 through May 1, 2051, with an interest rate of 2.75 percent, payable semi-annually.</p>	<p style="text-align: right;">4,349,651</p> <hr style="width: 50%; margin: 0 auto;"/> <p style="text-align: right;">\$ 7,992,651</p> <hr style="width: 50%; margin: 0 auto;"/>

Component Units

During 2018, the West Downtown Development Authority paid the remaining \$31,128 balance of the Series II bonds dated August 20, 1991.

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending December 31,	Business-type Activities	
	Principal	Interest
2019	\$ 564,000	\$ 255,153
2020	587,000	235,381
2021	609,000	206,015
2022	213,000	191,426
2023	221,000	184,532
2024 - 2028	1,224,000	804,908
2029 - 2033	967,000	590,368
2034 - 2038	762,000	470,530
2039 - 2043	876,000	355,614
2044 - 2048	1,007,000	223,558
2049 - 2052	962,651	73,250
	\$ 7,992,651	\$ 3,590,735

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payment for unused sick and vacation time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to \$14,572 for governmental activities. Resources from the general fund will be used to liquidate this liability. The business-type activities reported a liability of \$75,142. Resources from the sewer and water funds will be used to liquidate this liability.

Charter Township of Union
Notes to the Financial Statements
December 31, 2018

Deferred Amount on Refunding

The Township issued bonds in 2009 to advance refund and retire previously issued bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$464,957. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2021. The balance at December 31, 2018 is \$116,239.

Note 9 - Risk Management

The Township participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township also participates in a pool, the Michigan Township Participating Plan with other municipalities for various risks of loss including general, employee benefits, public officials, law enforcement, inland marine, crime, auto, boiler and machinery, and EDP liability, errors and omissions, and property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

Note 10 - Employee Retirement and Benefit Systems

Defined contribution plan

The Township participates in a defined contribution plan administered by Municipal Employees' Retirement System. The plan is available for all full-time employees, excluding elected officials. The Township is required to contribute 7.5 percent of each participant's annual compensation. Employees are required to contribute 2.5 percent of their annual compensation. Contributions can be made by employees on a pre-tax basis. Upon early retirement or termination of service, other than because of death, disability, or normal retirement, benefits in the plan vest at 100% after twenty months of service.

For the year ended December 31, 2018, the Township's total payroll was \$1,370,982. The current year employer contribution was \$88,600. Employee contributions for the year ended December 31, 2018, totaled \$29,148.

Note 11 - Contingent Liabilities

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

Charter Township of Union
Notes to the Financial Statements
December 31, 2018

Note 12 - Contractual Commitments

The Township has contracted with the City of Mount Pleasant for fire protection. The contract currently runs through 2023. The Township's future anticipated operating revenues are expected to be sufficient to cover this commitment.

The remaining contractual commitment is as follows:

Year Ending December 31,	
2019	\$ 731,400
2020	763,800
2021	796,300
2022	812,900
2023	<u>830,100</u>
	<u><u>\$ 3,934,500</u></u>

Note 13 - Subsequent Event

Subsequent to December 31, 2018 the Township entered into an agreement to purchase a pumper fire truck in an amount not to exceed \$447,573.

**Charter Township of Union
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2018**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes				
Property taxes	\$ 296,200	\$ 294,005	\$ 298,020	\$ 4,015
Other taxes	5,500	5,400	6,263	863
Penalties and interest	5,400	6,700	6,779	79
Administration fee	148,800	151,800	156,654	4,854
Licenses and permits	61,000	64,000	71,694	7,694
State revenue sharing	1,064,000	1,119,000	1,161,406	42,406
State grants	-	6,900	6,932	32
Charges for services	211,500	214,800	219,360	4,560
Fines and forfeitures	1,000	1,000	632	(368)
Interest income	36,000	75,000	74,960	(40)
Rental income	9,900	9,900	10,550	650
Other revenue	45,000	25,500	22,097	(3,403)
Sale of fixed assets	500	500	-	(500)
	<u>1,884,800</u>	<u>1,974,505</u>	<u>2,035,347</u>	<u>60,842</u>
Total revenues				

Charter Township of Union
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Expenditures				
General government				
Township board	\$ 53,773	\$ 67,423	\$ 58,240	\$ (9,183)
Supervisor	20,422	20,422	17,326	(3,096)
Manager	106,960	109,639	102,871	(6,768)
Accounting	174,547	151,438	144,271	(7,167)
Clerk	30,331	38,986	33,823	(5,163)
Data processing	20,180	51,000	39,689	(11,311)
Treasurer	31,481	31,781	28,126	(3,655)
Assessor	218,119	220,345	205,377	(14,968)
Elections	6,100	21,721	21,701	(20)
Buildings and grounds	45,250	52,450	53,164	714
Attorney	80,000	60,000	41,488	(18,512)
Total general government	787,163	825,205	746,076	(79,129)
Public safety				
Building inspection department	261,926	264,085	267,307	3,222

**Charter Township of Union
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2018**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public works				
Department of public works	\$ 284,300	\$ 246,500	\$ 177,271	\$ (69,229)
Community and economic development				
Planning	219,748	209,912	118,970	(90,942)
Recreation and culture				
Parks and recreation	204,212	149,436	118,047	(31,389)
Capital outlay	19,600	35,600	17,434	(18,166)
Debt service				
Principal retirement	9,600	10,575	10,570	(5)
Interest and fiscal charges	3,700	2,725	2,720	(5)
Total debt service	13,300	13,300	13,290	(10)
Total expenditures	1,790,249	1,744,038	1,458,395	(285,643)
Excess of revenues over expenditures	94,551	230,467	576,952	346,485
Fund balance - beginning of year	3,570,226	3,570,226	3,570,226	-
Fund balance - end of year	<u>\$ 3,664,777</u>	<u>\$ 3,800,693</u>	<u>\$ 4,147,178</u>	<u>\$ 346,485</u>

Charter Township of Union
Required Supplementary Information
Budgetary Comparison Schedule
Fire Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 591,350	\$ 593,169	\$ 603,347	\$ 10,178
Other state grants	-	19,363	19,939	576
Charges for services	100,500	109,600	109,655	55
Interest income	10,000	18,000	20,093	2,093
Sale of fixed assets	30,000	-	-	-
	<u>731,850</u>	<u>740,132</u>	<u>753,034</u>	<u>12,902</u>
Expenditures				
Current				
Public safety	699,000	699,000	699,000	-
	<u>32,850</u>	<u>41,132</u>	<u>54,034</u>	<u>12,902</u>
Excess of revenues over expenditures				
	<u>1,125,583</u>	<u>1,125,583</u>	<u>1,125,583</u>	<u>-</u>
Fund balance - beginning of year				
	<u>\$ 1,158,433</u>	<u>\$ 1,166,715</u>	<u>\$ 1,179,617</u>	<u>\$ 12,902</u>
Fund balance - end of year				

**Charter Township of Union
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018**

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Tribal 2%	Public Improvement	
Assets			
Cash and cash equivalents	\$ 246,718	\$ 192,050	\$ 438,768
Special assessments	-	116,356	116,356
 Total assets	 <u>\$ 246,718</u>	 <u>\$ 308,406</u>	 <u>\$ 555,124</u>
Deferred inflows of resources			
Special assessments	\$ -	\$ 116,356	\$ 116,356
Fund Balances			
Restricted			
Tribal grants	246,718	-	246,718
Capital projects	-	192,050	192,050
 Total fund balances	 <u>246,718</u>	 <u>192,050</u>	 <u>438,768</u>
 Total deferred inflows of resources and fund balances	 <u>\$ 246,718</u>	 <u>\$ 308,406</u>	 <u>\$ 555,124</u>

Charter Township of Union
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2018

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Tribal 2%	Public Improvement	
Revenues			
Local contributions	\$ 256,974	\$ -	\$ 256,974
Interest income	1,853	2,102	3,955
Other revenue	-	36,751	36,751
Total revenues	258,827	38,853	297,680
Expenditures			
Current			
Public works	42,016	-	42,016
Net change in fund balance	216,811	38,853	255,664
Fund balance - beginning of year	29,907	153,197	183,104
Fund balance - end of year	\$ 246,718	\$ 192,050	\$ 438,768

Charter Township of Union
Component Unit - East Downtown Development Authority
Balance Sheet
December 31, 2018

Assets

Cash and cash equivalents	\$ 1,265,708
Receivables	
Taxes	38,161
Customers	410
Accrued interest and other	250
Due from other units of government	373,426
Prepaid items	<u>1,255</u>
 Total assets	 <u><u>\$ 1,679,210</u></u>

Liabilities

Accounts payable	<u>\$ 142,420</u>
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Deferred inflows of resources

Property taxes	<u>411,587</u>
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Fund Balances

Non-spendable	
Prepaid items	1,255
Restricted	
East DDA	<u>1,123,948</u>
 Total fund balances	 <u>1,125,203</u>

Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 1,679,210</u></u>
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**Charter Township of Union
East Downtown Development Authority
Reconciliation of Fund Balances of Component Unit
to Net Position of Component Unit
December 31, 2018**

Total fund balance for component unit fund \$1,125,203

Total net position for component unit activities in the statement of net position is different because:

Capital assets net of accumulated depreciation used in the government wide statements are not financial resources and therefore are not reported in the funds.

104,975

Net position of component unit

\$ 1,230,178

Charter Township of Union
Component Unit - East Downtown Development Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2018

Revenues

Taxes	\$ 396,035
Other state grants	55,480
Interest income	17,699
Other revenue	<u>11,766</u>
Total revenues	<u>480,980</u>

Expenditures

Current	
Public safety	64,013
Community and economic development	<u>394,282</u>
Total expenditures	<u>458,295</u>
Net change in fund balance	22,685
Fund balance - beginning of year	<u>1,102,518</u>
Fund balance - end of year	<u><u>\$ 1,125,203</u></u>

**Charter Township of Union
East Downtown Development Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Component Units to the Statement of Activities
For the Year Ended December 31, 2018**

Net change in fund balances - total component unit fund	\$ 22,685
Total change in net position reported for component unit activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the government wide statements the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	<u>(11,665)</u>
Change in net position of component unit	<u><u>\$ 11,020</u></u>

Charter Township of Union
Component Unit - West Downtown Development Authority
Balance Sheet
December 31, 2018

	<u>Operating</u>	<u>Debt Service</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,010,302	\$ -	\$ 1,010,302
Receivables			
Taxes	86,863	-	86,863
Customers	5,189	-	5,189
Accrued interest and other	574	-	574
Due from other units of government	217,869	-	217,869
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,320,797</u>	<u>\$ -</u>	<u>\$ 1,320,797</u>
Deferred inflows of resources			
Property taxes	\$ 304,732	\$ -	\$ 304,732
Fund Balances			
Restricted			
West DDA	1,016,065	-	1,016,065
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources and fund balances	<u>\$ 1,320,797</u>	<u>\$ -</u>	<u>\$ 1,320,797</u>

**Charter Township of Union
West Downtown Development Authority
Reconciliation of Fund Balances of Component Unit
to Net Position of Component Unit
December 31, 2018**

Total fund balance for component unit fund \$1,016,065

Total net position for component unit activities in the statement of net position is different because:

Capital assets net of accumulated depreciation used in the government wide statements are not financial resources and therefore are not reported in the funds.

7,737

Net position of component unit \$ 1,023,802

Charter Township of Union
Component Unit - West Downtown Development Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2018

	Operating	Debt Service	Total
Revenues			
Taxes	\$ 601,283	\$ -	\$ 601,283
Interest income	8,275	7	8,282
Total revenues	<u>609,558</u>	<u>7</u>	<u>609,565</u>
Expenditures			
Current			
Public safety	45,642	-	45,642
Community and economic development	19,556	-	19,556
Debt service			
Principal retirement	-	31,128	31,128
Interest and fiscal charges	-	244,672	244,672
Total expenditures	<u>65,198</u>	<u>275,800</u>	<u>340,998</u>
Excess (deficiency) of revenues over expenditures	<u>544,360</u>	<u>(275,793)</u>	<u>268,567</u>
Other financing sources (uses)			
Transfers in	-	272,663	272,663
Transfers out	(272,663)	-	(272,663)
Total other financing sources and uses	<u>(272,663)</u>	<u>272,663</u>	<u>-</u>
Net change in fund balance	271,697	(3,130)	268,567
Fund balance - beginning of year	744,368	3,130	747,498
Fund balance - end of year	<u>\$ 1,016,065</u>	<u>\$ -</u>	<u>\$ 1,016,065</u>

**Charter Township of Union
West Downtown Development Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Component Units to the Statement of Activities
For the Year Ended December 31, 2018**

Net change in fund balances - total component unit fund	\$ 268,567
Total change in net position reported for component unit activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the government wide statements the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(773)
Expenses are recorded when incurred in the statement of activities.	
Accrued interest	101,557
Bond proceeds are reported as financing sources in the component unit funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the component unit funds but reduces the liability in the statement of net position.	
Repayments of long-term debt	31,128
Amortization of discount	(950)
Change in net position of component unit	<u>\$ 399,529</u>



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Management and the Board of Trustees
Charter Township of Union
Mt. Pleasant, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Charter Township of Union as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Charter Township of Union's basic financial statements, and have issued our report thereon dated May 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Charter Township of Union's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Charter Township of Union's internal control. Accordingly, we do not express an opinion on the effectiveness of Charter Township of Union's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charter Township of Union's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Alma, Michigan
May 10, 2019