

Charter Township of Union

Financial Statements

December 31, 2019



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Charter Township of Union
List of Elected and Appointed Officials
December 31, 2019

Board of Trustees

Ben Gunning, Supervisor

Lisa Cody, Clerk

Kim Rice, Treasurer

Bill Hauck, Trustee

Tim Lannen, Trustee

Bryan Mielke, 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, 2019, 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, 2019, 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.

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 8, 2020 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 8, 2020

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2019**

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, 2019.

FINANCIAL HIGHLIGHTS

- The Township's combined total net position is \$33.3 million for the fiscal year ended December 31, 2019, compared to \$31.9 million last fiscal year.
- The combined total net position increased by \$1.4 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 \$4.4 million, while expenses were \$3.8 million.
- The total revenues of all Township programs, including government and business-type activities was \$7.5 million, down \$0.3 million from last fiscal year.
- The total cost of all Township programs, including governmental and business-type activities was \$6.1 million, no change 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 the Township's assets and liabilities, with the difference between the two reported as net position. The *statement of activities* presents all 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, 2019**

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 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 the cost of the services 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 major funds of the Township.

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2019**

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, 2019 and 2018:

The Township's total combined net position for the fiscal year ended December 31, 2019 is \$33.3 million, made up of \$25.7 million in business-type activities, and \$7.6 million in governmental activities.

Combined unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, is \$12.3 million. Business-type activities unrestricted total is \$7.5 million, while the unrestricted governmental activities net asset total is \$4.8 million.

A portion of the Township's net position (57%) 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, 2019**

Charter Township of Union Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Assets						
Current assets	\$ 7,886,687	\$ 7,035,226	\$ 8,099,027	\$ 7,912,809	\$ 15,985,714	\$ 14,948,035
Capital assets	894,566	953,140	25,313,719	25,602,649	26,208,285	26,555,789
Total assets	8,781,253	7,988,366	33,412,746	33,515,458	42,193,999	41,503,824
Deferred outflows of resources						
Deferred amount on refunding	-	-	77,493	116,239	77,493	116,239
Liabilities						
Current liabilities	130,738	115,970	923,199	1,098,700	1,053,937	1,214,670
Long-term liabilities	3,250	15,647	6,838,397	7,430,156	6,841,647	7,445,803
Total liabilities	133,988	131,617	7,761,596	8,528,856	7,895,584	8,660,473
Deferred inflows of resources						
Property taxes	1,043,258	1,063,356	-	-	1,043,258	1,063,356
Net position						
Net investment in capital assets	878,919	926,046	17,975,076	17,737,426	18,853,995	18,663,472
Restricted	1,932,018	1,734,741	277,887	239,175	2,209,905	1,973,916
Unrestricted	4,793,070	4,132,606	7,475,680	7,126,240	12,268,750	11,258,846
Total net position	\$ 7,604,007	\$ 6,793,393	\$ 25,728,643	\$ 25,102,841	\$ 33,332,650	\$ 31,896,234

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2019**

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, 2019 and 2018:

Governmental Activities

Net position for governmental activities increased by \$0.8 million during the year ended December 31, 2019, compared to a \$0.8 million increase last year.

The Township's total governmental revenue is \$3.1 million in 2019, which was no increase or decrease over the prior year.

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 \$0.6 million during the year ended December 31, 2019, compared to a \$0.9 million increase last year.

Total revenue from business-type activities was \$4.4 million in 2019, which was a decrease of \$0.4 million over the prior year. The decrease is due to fewer State grants received during the 2019 fiscal year when compared to 2018.

Expenses for business-type activities totaled \$3.8 million, a decrease of \$0.1 million from the prior year.

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2019**

Charter Township of Union Change in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for services	\$ 439,085	\$ 433,105	\$ 4,073,527	\$ 4,096,946	\$ 4,512,612	\$ 4,530,051
Operating grants and contributions	25,300	26,871	13,750	356,151	39,050	383,022
Capital grants and contributions	213,120	256,974	162,932	198,343	376,052	455,317
General revenues						
Property taxes	1,080,132	1,071,063	-	-	1,080,132	1,071,063
State shared revenue	1,208,500	1,161,406	-	-	1,208,500	1,161,406
Unrestricted investment earnings	162,897	99,008	164,978	104,872	327,875	203,880
Miscellaneous	1,102	6,740	27,536	14,042	28,638	20,782
Total revenues	<u>3,130,136</u>	<u>3,055,167</u>	<u>4,442,723</u>	<u>4,770,354</u>	<u>7,572,859</u>	<u>7,825,521</u>
Expenses						
General government	836,622	809,150	-	-	836,622	809,150
Public safety	1,020,609	968,381	-	-	1,020,609	968,381
Public works	151,400	219,309	-	-	151,400	219,309
Health and welfare	7,123	-	-	-	7,123	-
Community and economic development	146,556	118,982	-	-	146,556	118,982
Recreation and culture	155,369	131,845	-	-	155,369	131,845
Interest on long-term debt	1,843	2,720	-	-	1,843	2,720
Sewer	-	-	2,379,125	2,269,734	2,379,125	2,269,734
Water	-	-	1,437,796	1,604,719	1,437,796	1,604,719
Total expenses	<u>2,319,522</u>	<u>2,250,387</u>	<u>3,816,921</u>	<u>3,874,453</u>	<u>6,136,443</u>	<u>6,124,840</u>
Change in net position	810,614	804,780	625,802	895,901	1,436,416	1,700,681
Net position - beginning 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>
Net position - end of year	<u>\$ 7,604,007</u>	<u>\$ 6,793,393</u>	<u>\$ 25,728,643</u>	<u>\$ 25,102,841</u>	<u>\$ 33,332,650</u>	<u>\$ 31,896,234</u>

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2019**

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 state shared revenue and property taxes. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4.3 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 296% of total General Fund expenditures including transfers to other funds. The fund balance of the General Fund increased by about \$667,000 during the current fiscal year due to increased revenue sharing, increased interest earned, a decrease in Assessing department costs, no elections in 2019, and decrease in spending for Parks & Recreation.

The fund balance of the Fire Fund increased by approximately \$45,000 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 \$346,000 during the year. The increase was partly due to contributions from the Economic Development Authority for projects, and increased interest earned and spending under budget. The net position of the Water Fund increased by approximately \$280,000 during the year. The increase was partly due to contributions from the Saginaw Chippewa Indian Tribe for new fire hydrants, contributions from the Economic Development Authority for projects, interest earned on investments and spending under budget.

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 occur. The statements, schedules and notes included in the financial statements' present comparisons of original budget, amended budget and actual revenues and expenditures beginning on page 5-1.

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 2019 original budget were estimated to be \$284,369 lower than expenditures. However, this estimated shortfall was amended to a surplus of \$343,185.

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

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2019**

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. Overall, when the 2019 budget was amended, total estimated revenues increased \$67,500 and total estimated expenditures were reduced by \$560,054, changing the estimated surplus (deficit) for the year from (\$284,369) to \$343,185.

In the fiscal year 2019, the General Fund budget for revenues increased by approximately \$67,000 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 \$20,000 higher than the original budget of \$1,119,000. 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 had been increasing for the Certificates of Deposit that we purchased/renewed in 2019, and the Township has also increased the amounts invested in 2019 which required a General Fund budget amendment for interest earned of \$50,000. The Township also reduced the budget for Other Revenue by \$8,000 when it was realized we would not receive as much miscellaneous income.

General Fund appropriations decreased by \$560,054 from original budget to final amended budget in fiscal year 2019. Following are some of the notable details for these changes:

In the General Government area, the budget was decreased \$29,000 in the Accounting Department mostly due to the unfilled Accounting Specialist position. Also, the Information Technology budget was increased \$11,900 for phone changes needed for change of offices internally, a new managed I.T. agreement that took effect November 1st, new phone/set up for the new Economic & Community Development Director position, new Adobe Acrobat Pro subscriptions and the new iPad/Pivot Point field assessing software that were not covered under the managed I.T. agreement.

There was a decrease in the Assessing Department of \$50,747 related to a personnel vacancy in the department which was offset by increased budget of \$13,050 for appraisals needed for Michigan Tax Tribunal cases, additional Board of Review meeting advertising needed, BS&A onsite computer set up and training for the Assessor, and a new document scanner for the Assessing Department. The Assessing Department budget overall had a net decrease of \$37,697 from the original budget of \$221,647, to a final amended budget of \$183,950.

During the year, there was a \$20,000 budget increase approved for legal fees for the Township Assessor.

The Township Hall & Grounds budget increased \$13,100 during 2019 for higher than expected costs for electronic recycling during the annual Township Clean-up Day and for a defibrillator at the Township Hall.

In Public Safety, there was a budget increase of \$28,146 for the Building Inspection Department for onsite computer training and set up, contracted building official services, overtime costs, and vehicle repairs & maintenance.

In Public Works, the Township reduced the budgeted amounts for public works by \$513,300, because road projects supported by the Township either cost less than expected or the projects were not commenced or completed at year-end. There were two major road projects delayed until 2020. One was for an upgrade to Lincoln Road between M-20 and Broomfield Road, south of the bridge. The Township has committed to contributing \$167,000

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2019**

for this project. The other project was for Isabella Road. Three intersections will be improved with turn lanes, curbing, etc. This project is also delayed until 2020 as the Road Commission works to secure easements. The Township has committed to contributing \$268,000 for this project

In the Community and Economic Development area, the original budget for the Planning Department was reduced approximately \$81,000 when it was determined that Economic & Community Development Director position would not be filled until the very end of the year. The budget in this area was increased \$6,155 for BS&A onsite computer software set up/training related to (PZE) Planning, Zoning & Engineering and increased by \$2,500 for employment advertising. The net change in the Planning Department for all the budget reductions and increases was (\$73,570).

The Parks and Recreation budget in the General Fund was reduced by \$15,000 for the parks master plan update when it was determined that it would be done in 2020 instead of 2019. There was a \$5,000 budget reduction for repairs that were not needed, and Parks and Recreation was also reduced by \$30,000 for parking lot sealcoating and fence repairs paid with 2% grants instead of General Fund money.

In the Capital Outlay area, the 2019 budget was increased for parking lot repairs at the Township Hall in the amount of \$7,000, playground equipment in the amount of \$32,000 purchased in conjunction with the City of Mount Pleasant and a 50% funding grant, new chairs for the board room and small conference room furniture in the amount of \$13,000 and new office desk/storage for the Assessing and Finance offices in the amount of \$4,500. The total budget increases for Capital Outlay in the General Fund totaled \$57,150 during the year, with the original budget going from \$16,600 to \$73,750 amended.

In the General Fund, each individual department in the fund came in under budget in 2019. Overall, the total actual expenditures in the general fund were under budget by \$228,878 or 13.6%

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2019**

CAPITAL ASSETS

The Charter Township of Union's primary government has \$26,208,285 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 2018 to 2019, net capital assets decreased \$58,574 for Governmental Activities and decreased \$288,930 for Business-type Activities. Additional details of capital assets can be found in the Notes to Financial Statements beginning on page 4-26. A summary of the capital assets for the Township's primary government follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Capital assets not being depreciated						
Land	\$ 160,650	\$ 160,650	\$ 275,780	\$ 275,780	\$ 436,430	\$ 436,430
Construction in progress	-	-	323,241	482,087	323,241	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	389,275	202,927	1,478,535	1,292,187
Machinery and equipment	251,973	251,973	1,884,789	1,755,754	2,136,762	2,007,727
Vehicles	314,821	314,821	435,023	413,185	749,844	728,006
Water system	-	-	13,609,586	13,219,503	13,609,586	13,219,503
Sewer system	-	-	14,002,602	13,869,377	14,002,602	13,869,377
Wastewater treatment plant	-	-	12,567,029	12,567,029	12,567,029	12,567,029
Total capital assets	2,146,447	2,146,447	43,529,289	42,827,606	45,675,736	44,974,053
Less: accumulated depreciation	(1,251,881)	(1,193,307)	(18,215,570)	(17,224,957)	(19,467,451)	(18,418,264)
Capital assets, net	\$ 894,566	\$ 953,140	\$ 25,313,719	\$ 25,602,649	\$ 26,208,285	\$ 26,555,789

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, \$564,000 of the debt was retired in 2019. 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, 2019**

The Business-type Activities of the Township have \$7,410,661 in outstanding bonded debt as of December 31, 2019. Of the outstanding debt, \$2,162,010 is general obligation bonded debt, and \$5,248,651 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, 2019, the Governmental Activities had \$15,647 in long-term debt outstanding on the lease and Business-type Activities had \$5,475 in long-term debt outstanding on the lease.

Compensated Absences

The compensated absences for the Township represent the amounts owed to employees for leave time earned and not used as of December 31, 2019. In the Governmental Activities (General Fund), the amounts owed were \$21,564. In the Business-type Activities (Water and Sewer Funds), the amounts owed were \$88,078. In the Governmental Activities, the liability for compensated absences increased by \$6,992 for the year. In Business-type Activities, the accrual for compensated absences increased by \$12,936. Overall, the value of earned leave time owed to employees at December 31, 2019 that would be paid at the time of separation was \$109,642 for the Total Primary Government.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ -	\$ -	\$ 7,410,661	\$ 7,971,981	\$ 7,410,661	\$ 7,971,981
Capital lease	15,647	27,094	5,475	9,481	21,122	36,575
Compensated absences	21,564	14,572	88,078	75,142	109,642	89,714
	<u>\$ 37,211</u>	<u>\$ 41,666</u>	<u>\$ 7,504,214</u>	<u>\$ 8,056,604</u>	<u>\$ 7,541,425</u>	<u>\$ 8,098,270</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 increasing from 2.0 to 2.25 mills to cover the annual increases in fire services contract with the City of Mount Pleasant. The Township's taxable value and property tax revenues have increased approximately 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

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2019**

Michigan by owners of commercial properties. Management continues to keep abreast of the possible changes to taxable values and property tax revenues from year to year.

In 2020, the Township expects to receive less in General Fund revenues compared to 2019, due to the Coronavirus pandemic. There is always uncertainty in State revenue sharing levels and for the 2020 fiscal year the uncertainty is extreme. In 2019, the Township's actual State shared revenue received was \$1,187,793 and that amount was 56% of total General Fund revenues. The Township budgets for the last several fiscal years were prepared conservatively when estimating revenue sharing proceeds, but when the 2020 original budget was prepared estimating \$1,140,000, a large decrease was not expected at that time. Management is aware that the budget for revenue sharing will need to be amended to a lesser amount.

State shared sales tax revenue is made up of two components: the constitutional component and the statutory portion.

The constitutional component is 13% of the gross collections of the 6% State sales tax. This portion cannot be adjusted by the legislature, but the amount of sales tax collected in the State of Michigan affects the amount of revenue sharing the Township will receive. Management knows the sales taxes collected in January and February 2020 were on target, but for March and April, the State is expecting a sharp decline which could be as much as 50% for those 2 months due to the State ordered shut-down of businesses caused by the Coronavirus pandemic. Going forward, sales tax collections are expected to be lower for the foreseeable future. Management is in the process of listening to and asking questions of State officials to help with future estimates.

The Township became eligible for the statutory portion of the State's revenue sharing in fiscal year 2014. The statutory revenue sharing to the Township is approximately \$45,000 in fiscal year 2020. To receive the statutory revenue sharing, the municipality must embrace accountability and transparency and publish a performance "dashboard" that is readily available to the public. This "dashboard" is full of financial information and other statistical information about the Township. It can be found on the Township's website on the Accounting Department tab. The Township has consistently met the requirements to receive the statutory revenue sharing. Management anticipates qualifying for next year's funding, but State funding for this statutory portion is uncertain due to the COVID-19 pandemic. Given the State's budget issues caused by closing down businesses and unemployment due to COVID-19, Management expects the State of Michigan may terminate all or part of the statutory revenue sharing in 2020.

Total expenditures in the General Fund for the next fiscal year are estimated to be \$2.45 million. Included in those expenditures are contributions to the Isabella County Road Commission for road maintenance in the amount of \$492,500 for intersection improvements on Isabella Road, an upgrade to Lincoln Road, south of the bridge, between High St and Broomfield, 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 2020 General Fund budget for sidewalk improvements. Improvements are planned along Lincoln Road between Pickard and High St. Management also expects 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. In 2019, the Township received a grant for \$150,000 from the Saginaw Chippewa Indian Tribe to help with this improvement project. In addition to the tribal grant, the Township is contributing to the CMU connector pathway project from the General Fund.

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2019**

In the Parks Department, there is a major upgrade to Jameson Park and Jameson Hall planned this fiscal year totaling \$236,000. Some of the items included in the upgrade are building code related improvements to the interior of Jameson Hall such as exit signs, replacement of an exterior door w/barrier free options, emergency lighting & plumbing piping upgrades. Some of the interior improvements planned are new flooring & base, new lighting, & new windows on the north side of the hall. Exterior improvements in the plan are parking lot expansion and better parking lot lighting as the hall is used as one of the Township's precincts for voting. New playground equipment will also be installed at this location.

At the end of 2019, the Township was in the process of updating the zoning code and it should be complete in 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 approved the purchase of a new fire truck in 2019. The fire truck took approximately 1 year to build and was completed in March 2020. The City of Mount Pleasant fire department took care of overseeing the project to ensure the truck was built to specifications. Over the past several years, the Township had set aside \$447,000 cumulatively, to purchase a new fire truck so no new debt was needed to finance the purchase. The 1999 Fire Truck owned by the Township for 20 years was sold to neighboring Township of Isabella in April 2020.

At the beginning of 2020, the Township hired a new Planning and Economic Development Director. This is a new position that was created as Management sees the need to improve, promote and facilitate planning and economic development within the Township as the Township continues to grow year after year.

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

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, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 6,954,738	\$ 6,626,323	\$ 13,581,061	\$ 2,504,794
Receivables				
Taxes	541,772	-	541,772	116,196
Customers	30,381	1,071,315	1,101,696	-
Special assessments	75,365	37,812	113,177	-
Accrued interest and other	6,200	6,918	13,118	1,755
Due from other units of government	204,813	19,251	224,064	644,196
Internal balances	103	(103)	-	-
Prepaid items	73,315	59,624	132,939	1,298
Restricted assets				
Cash and cash equivalents	-	277,887	277,887	-
Capital assets not being depreciated	160,650	599,021	759,671	-
Capital assets, net of accumulated depreciation	733,916	24,714,698	25,448,614	100,274
Total assets	<u>8,781,253</u>	<u>33,412,746</u>	<u>42,193,999</u>	<u>3,368,513</u>
Deferred outflows of resources				
Deferred amount on refunding	<u>-</u>	<u>77,493</u>	<u>77,493</u>	<u>-</u>

See Accompanying Notes to the Financial Statements

Charter Township of Union
Statement of Net Position
December 31, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Accounts payable	\$ 82,596	\$ 201,392	\$ 283,988	\$ 128,236
Accrued and other liabilities	14,181	55,990	70,171	-
Noncurrent liabilities				
Due within one year	33,961	665,817	699,778	-
Due in more than one year	3,250	6,838,397	6,841,647	-
 Total liabilities	 133,988	 7,761,596	 7,895,584	 128,236
 Deferred inflows of resources				
Property taxes	1,043,258	-	1,043,258	760,393
 Net position				
Net investment in capital assets	878,919	17,975,076	18,853,995	100,274
Restricted				
Fire	1,224,756	-	1,224,756	-
Tribal grants	389,868	-	389,868	-
Capital projects	317,394	-	317,394	-
Bond required reserves	-	277,887	277,887	-
East DDA	-	-	-	1,358,414
West DDA	-	-	-	1,021,196
Unrestricted	4,793,070	7,475,680	12,268,750	-
 Total net position	 <u>\$ 7,604,007</u>	 <u>\$ 25,728,643</u>	 <u>\$ 33,332,650</u>	 <u>\$ 2,479,884</u>

See Accompanying Notes to the Financial Statements

Charter Township of Union
Statement of Activities
For the Year Ended December 31, 2019

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			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 836,622	\$ 296,501	\$ 4,496	\$ -	\$ (535,625)	\$ -	\$ (535,625)	\$ -
Public safety	1,020,609	117,479	20,804	-	(882,326)	-	(882,326)	-
Public works	151,400	25,105	-	213,120	86,825	-	86,825	-
Health and welfare	7,123	-	-	-	(7,123)	-	(7,123)	-
Community and economic development	146,556	-	-	-	(146,556)	-	(146,556)	-
Recreation and culture	155,369	-	-	-	(155,369)	-	(155,369)	-
Interest on long-term debt	1,843	-	-	-	(1,843)	-	(1,843)	-
Total governmental activities	2,319,522	439,085	25,300	213,120	(1,642,017)	-	(1,642,017)	-
Business-type activities								
Sewer	2,379,125	2,520,901	-	115,162	-	256,938	256,938	-
Water	1,437,796	1,552,626	13,750	47,770	-	176,350	176,350	-
Total business-type activities	3,816,921	4,073,527	13,750	162,932	-	433,288	433,288	-
Total primary government	\$ 6,136,443	\$ 4,512,612	\$ 39,050	\$ 376,052	(1,642,017)	433,288	(1,208,729)	-
Component units								
East Downtown Development Authority	\$ 283,359	\$ -	\$ 59,243	\$ -	-	-	-	(224,116)
West Downtown Development Authority	324,545	-	-	-	-	-	-	(324,545)
Total component units	\$ 607,904	\$ -	\$ 59,243	\$ -				(548,661)
General revenues								
Property taxes					1,080,132	-	1,080,132	715,561
State shared revenue					1,208,500	-	1,208,500	-
Unrestricted investment earnings					162,897	164,978	327,875	46,269
Miscellaneous					1,102	27,536	28,638	12,735
Total general revenues					2,452,631	192,514	2,645,145	774,565
Change in net position								
Net position - beginning of year					810,614	625,802	1,436,416	225,904
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>
					<u>\$ 7,604,007</u>	<u>\$ 25,728,643</u>	<u>\$ 33,332,650</u>	<u>\$ 2,479,884</u>

See Accompanying Notes to the Financial Statements

Charter Township of Union
Governmental Funds
Balance Sheet
December 31, 2019

	General	Special Revenue Fund Fire	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 4,799,104	\$ 1,524,200	\$ 631,434	\$ 6,954,738
Receivables				
Taxes	218,995	322,777	-	541,772
Customers	30,381	-	-	30,381
Special assessments	-	-	75,365	75,365
Accrued interest and other	4,828	909	463	6,200
Due from other units of government	201,890	2,923	-	204,813
Due from other funds	103	-	-	103
Prepaid items	73,315	-	-	73,315
	<u>\$ 5,328,616</u>	<u>\$ 1,850,809</u>	<u>\$ 707,262</u>	<u>\$ 7,886,687</u>
Liabilities				
Accounts payable	\$ 82,596	\$ -	\$ -	\$ 82,596
Accrued and other liabilities	14,181	-	-	14,181
	<u>96,777</u>	<u>-</u>	<u>-</u>	<u>96,777</u>

See Accompanying Notes to the Financial Statements

Charter Township of Union
Governmental Funds
Balance Sheet
December 31, 2019

	General	Special Revenue Fund Fire	Nonmajor Governmental Funds	Total Governmental Funds
Deferred inflows of resources				
Property taxes	\$ 417,205	\$ 626,053	\$ -	\$ 1,043,258
Special assessments	-	-	75,365	75,365
Total deferred inflows of resources	417,205	626,053	75,365	1,118,623
Fund Balances				
Non-spendable				
Prepaid items	73,315	-	-	73,315
Restricted for				
Fire	-	1,224,756	-	1,224,756
Tribal grants	-	-	389,868	389,868
Capital projects	-	-	242,029	242,029
Assigned for				
Road Commission projects	434,153	-	-	434,153
Unassigned	4,307,166	-	-	4,307,166
Total fund balances	4,814,634	1,224,756	631,897	6,671,287
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,328,616	\$ 1,850,809	\$ 707,262	\$ 7,886,687

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, 2019

Total fund balances for governmental funds	\$ 6,671,287
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.	733,916
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.	75,365
Certain liabilities are not due and payable in the current period and are not reported in the funds. Compensated absences	(21,564)
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>(15,647)</u>
Net position of governmental activities	<u><u>\$ 7,604,007</u></u>

Charter Township of Union
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2019

	General	Special Revenue Fund Fire	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 470,695	\$ 609,437	\$ -	\$ 1,080,132
Licenses and permits	70,665	-	-	70,665
State revenue sharing	1,208,500	-	-	1,208,500
Other state grants	4,496	20,804	-	25,300
Local contributions	-	-	213,120	213,120
Charges for services	217,233	115,463	-	332,696
Fines and forfeitures	249	-	-	249
Interest income	120,392	32,647	9,858	162,897
Rental income	9,870	-	-	9,870
Other revenue	21,593	-	46,105	67,698
Total revenues	<u>2,123,693</u>	<u>778,351</u>	<u>269,083</u>	<u>3,171,127</u>
Expenditures				
Current				
General government	760,307	-	-	760,307
Public safety	282,167	733,212	-	1,015,379
Public works	107,144	-	43,773	150,917
Health and Welfare	-	-	7,100	7,100
Community and economic development	146,088	-	-	146,088
Recreation and culture	78,194	-	25,081	103,275
Capital outlay	69,047	-	-	69,047
Debt service				
Principal retirement	11,447	-	-	11,447
Interest and fiscal charges	1,843	-	-	1,843
Total expenditures	<u>1,456,237</u>	<u>733,212</u>	<u>75,954</u>	<u>2,265,403</u>
Net change in fund balance	667,456	45,139	193,129	905,724
Fund balance - beginning of year	<u>4,147,178</u>	<u>1,179,617</u>	<u>438,768</u>	<u>5,765,563</u>
Fund balance - end of year	<u>\$ 4,814,634</u>	<u>\$ 1,224,756</u>	<u>\$ 631,897</u>	<u>\$ 6,671,287</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, 2019

Net change in fund balances - Total governmental funds	\$ 905,724
Total change in net position reported for governmental activities in the statement of activities is different because:	
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.	
Depreciation expense	(58,574)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Special assessments	(40,991)
Expenses are recorded when incurred in the statement of activities.	
Compensated absences	(6,992)
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.	
Repayments of long-term debt	<u>11,447</u>
Change in net position of governmental activities	<u><u>\$ 810,614</u></u>

Charter Township of Union
Proprietary Funds
Statement of Net Position
December 31, 2019

	Enterprise Funds		
	Sewer	Water	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 3,298,237	\$ 3,328,086	\$ 6,626,323
Receivables			
Customers	733,748	337,567	1,071,315
Special assessments, current	3,737	14,820	18,557
Accrued interest and other	3,572	3,346	6,918
Due from other units of government	-	19,251	19,251
Prepaid items	31,543	28,081	59,624
Total current assets	<u>4,070,837</u>	<u>3,731,151</u>	<u>7,801,988</u>
Noncurrent assets			
Restricted assets			
Cash and cash equivalents			
USDA RRI reserve	112,887	-	112,887
USDA bond reserve	165,000	-	165,000
Special assessments receivable, deferred	-	19,255	19,255
Capital assets not being depreciated	502,129	96,892	599,021
Capital assets, net of accumulated depreciation	<u>15,805,516</u>	<u>8,909,182</u>	<u>24,714,698</u>
Total noncurrent assets	<u>16,585,532</u>	<u>9,025,329</u>	<u>25,610,861</u>
Total assets	<u>20,656,369</u>	<u>12,756,480</u>	<u>33,412,849</u>
Deferred outflows of resources			
Deferred amount on refunding	<u>77,493</u>	<u>-</u>	<u>77,493</u>

See Accompanying Notes to the Financial Statements

**Charter Township of Union
Proprietary Funds
Statement of Net Position
December 31, 2019**

	Enterprise Funds		
	Sewer	Water	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 174,223	\$ 27,169	\$ 201,392
Accrued and other liabilities	31,086	24,904	55,990
Due to other funds	48	55	103
Current portion of noncurrent liabilities	530,701	135,116	665,817
Total current liabilities	736,058	187,244	923,302
Noncurrent liabilities			
Long-term debt net of current portion	5,562,586	1,275,811	6,838,397
Total liabilities	6,298,644	1,463,055	7,761,699
Net position			
Net investment in capital assets	10,341,205	7,633,871	17,975,076
Restricted for			
Bond required reserves	277,887	-	277,887
Unrestricted	3,816,126	3,659,554	7,475,680
Total net position	<u>\$ 14,435,218</u>	<u>\$ 11,293,425</u>	<u>\$ 25,728,643</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, 2019

	Enterprise Funds		
	Sewer	Water	Total
Operating revenue			
Customer fees	\$ 2,446,704	\$ 1,410,841	\$ 3,857,545
Connection fees	74,197	88,695	162,892
Rental income	-	53,090	53,090
Other revenue	2,966	24,570	27,536
Total operating revenue	<u>2,523,867</u>	<u>1,577,196</u>	<u>4,101,063</u>
Operating expenses			
Personnel services	812,948	588,158	1,401,106
Supplies	180,435	66,079	246,514
Contractual services	109,658	87,448	197,106
Utilities	226,590	124,158	350,748
Repairs and maintenance	96,784	111,565	208,349
Other expenses	57,833	37,457	95,290
Depreciation	676,549	373,213	1,049,762
Total operating expenses	<u>2,160,797</u>	<u>1,388,078</u>	<u>3,548,875</u>
Operating income	<u>363,070</u>	<u>189,118</u>	<u>552,188</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, 2019

	Enterprise Funds		
	Sewer	Water	Total
Nonoperating revenue (expenses)			
State grant	\$ -	\$ 13,750	\$ 13,750
Interest income	85,887	79,091	164,978
Local contributions	115,162	47,770	162,932
Gain on disposal of assets	15,000	10,000	25,000
Interest expense	(233,328)	(59,718)	(293,046)
Total nonoperating revenues (expenses)	(17,279)	90,893	73,614
Change in net position	345,791	280,011	625,802
Net position - beginning of year	14,089,427	11,013,414	25,102,841
Net position - end of year	<u>\$ 14,435,218</u>	<u>\$ 11,293,425</u>	<u>\$ 25,728,643</u>

See Accompanying Notes to the Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2019

	Enterprise Funds		
	Sewer	Water	Total
Cash flows from operating activities			
Receipts from customers	\$ 2,733,022	\$ 1,715,047	\$ 4,448,069
Payments to suppliers	(617,031)	(615,873)	(1,232,904)
Payments to employees	(803,496)	(579,569)	(1,383,065)
Net cash provided by operating activities	1,312,543	519,660	1,832,203
Cash flows from noncapital financing activities			
State grant	-	13,750	13,750
Cash flows from capital and related financing activities			
Proceeds from special assessments	20,542	11,579	32,121
Capital contributions	115,162	47,770	162,932
Purchases/construction of capital assets	(456,002)	(304,830)	(760,832)
Principal and interest paid on long-term debt	(707,730)	(157,664)	(865,394)
Proceeds from sale of capital assets	15,000	10,000	25,000
Net cash used by capital and related financing activities	(1,013,028)	(393,145)	(1,406,173)
Cash flows from investing activities			
Interest received	83,344	76,693	160,037
Net change in cash and cash equivalents	382,859	216,958	599,817
Cash and cash equivalents - beginning of year	3,193,265	3,111,128	6,304,393
Cash and cash equivalents - end of year	\$ 3,576,124	\$ 3,328,086	\$ 6,904,210

See Accompanying Notes to the Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2019

	Enterprise Funds		
	Sewer	Water	Total
Statement of Net Position classification			
Cash and cash equivalents	\$ 3,298,237	\$ 3,328,086	\$ 6,626,323
Restricted assets			
Cash and cash equivalents			
USDA RRI reserve	112,887	-	112,887
USDA bond reserve	165,000	-	165,000
	\$ 3,576,124	\$ 3,328,086	\$ 6,904,210
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 363,070	\$ 189,118	\$ 552,188
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	716,397	374,791	1,091,188
Changes in assets and liabilities			
Receivables (net)	(117,647)	(1,345)	(118,992)
Due from other units of government	326,802	139,196	465,998
Prepaid items	19,649	19,661	39,310
Accounts payable	(5,228)	(210,405)	(215,633)
Accrued and other liabilities	3,720	1,385	5,105
Compensated absences	5,732	7,204	12,936
	\$ 1,312,543	\$ 519,660	\$ 1,832,203

See Accompanying Notes to the Financial Statements

Charter Township of Union
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2019

	<u>Custodial Fund</u> <u>Current Tax Collection</u>
Assets	
Cash and cash equivalents	\$ 3,476,998
Liabilities	
Due to other units of government	<u>3,477,506</u>
Net Position	
Restricted for:	
Individuals, organizations, and other governments (deficit)	<u>\$ (508)</u>

Charter Township of Union
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2019

	Custodial Fund
	Current Tax Collection
Additions	
Property tax collections for other governments	\$ 13,884,101
Deductions	
Payments of property tax to other governments	13,884,609
Change in net position	(508)
Net position - beginning of year	-
Net position - end of year	\$ (508)

See Accompanying Notes to the Financial Statements

Charter Township of Union
Combining Statement of Component Units
Statement of Net Position
December 31, 2019

	East Downtown Development Authority	West Downtown Development Authority	Total
Assets			
Cash and cash equivalents	\$ 1,377,344	\$ 1,127,450	\$ 2,504,794
Receivables			
Taxes	22,968	93,228	116,196
Accrued interest and other	798	957	1,755
Due from other units of government	414,523	229,673	644,196
Prepaid items	1,298	-	1,298
Capital assets, net of accumulated depreciation	93,311	6,963	100,274
Total assets	<u>1,910,242</u>	<u>1,458,271</u>	<u>3,368,513</u>
Liabilities			
Accounts payable	21,026	107,210	128,236
Deferred inflows of resources			
Property taxes	437,491	322,902	760,393
Net position			
Net investment in capital assets	93,311	6,963	100,274
Restricted			
East DDA	1,358,414	-	1,358,414
West DDA	-	1,021,196	1,021,196
Total net position	<u>\$ 1,451,725</u>	<u>\$ 1,028,159</u>	<u>\$ 2,479,884</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, 2019

	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Operating Grants and Contributions	East	West	Total
			Downtown Development Authority	Downtown Development Authority	
Component units					
East Downtown Development Authority	\$ 283,359	\$ 59,243	\$ (224,116)	\$ -	\$ (224,116)
West Downtown Development Authority	324,545	-	-	(324,545)	(324,545)
 Total component units	 \$ 607,904	 \$ 59,243	 (224,116)	 (324,545)	 (548,661)
General revenues					
Property taxes			409,127	306,434	715,561
Interest income			23,801	22,468	46,269
Miscellaneous			12,735	-	12,735
 Total general revenues			 445,663	 328,902	 774,565
Change in net position			221,547	4,357	225,904
Net position - beginning of year			1,230,178	1,023,802	2,253,980
Net position - end of year			<u>\$ 1,451,725</u>	<u>\$ 1,028,159</u>	<u>\$ 2,479,884</u>

See Accompanying Notes to the Financial Statements

Charter Township of Union
Notes to the Financial Statements
December 31, 2019

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, 2019

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 Custodial Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

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.

Charter Township of Union
Notes to the Financial Statements
December 31, 2019

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 2019 tax is levied and collectible on December 1, 2019, 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 2018 taxable valuation of the government totaled \$363,707,992, on which ad valorem taxes consisted of 1.000 mills for operating purposes and 2.000 mills for fire services. This resulted in \$363,708 for operating expenses and \$727,416 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.

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

Charter Township of Union
Notes to the Financial Statements
December 31, 2019

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.

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.

Charter Township of Union
Notes to the Financial Statements
December 31, 2019

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.

Adoption of New Accounting Standards

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.

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 specific criteria.

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.

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components.

Upcoming Accounting and Reporting Changes

The Governmental Accounting Standards Board has released the following Statements.

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and

Charter Township of Union
Notes to the Financial Statements
December 31, 2019

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. 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.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and

arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending December 31, 2021.

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.

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.

Charter Township of Union
Notes to the Financial Statements
December 31, 2019

State Construction Code Act

The Township oversees building construction in accordance with the State's Construction Code Act, including inspection on building construction renovation to ensure compliance with the building codes. The Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs.

A summary of the current year activity and cumulative shortfall follow:

Shortfall at January 1, 2019	\$ (460,709)
Current year building permit revenue	154,658
Related expenditures	<u>(428,255)</u>
Cumulative shortfall at December 31, 2019	<u>\$ (734,306)</u>

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	\$ 6,954,738	\$ -	\$ 6,954,738
Business-type activities	6,626,323	277,887	6,904,210
Total primary government	<u>13,581,061</u>	<u>277,887</u>	<u>13,858,948</u>
Fiduciary funds	3,476,998	-	3,476,998
Component unit	2,504,794	-	2,504,794
Total	<u>\$ 19,562,853</u>	<u>\$ 277,887</u>	<u>\$ 19,840,740</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)	\$ 13,858,548	\$ 3,476,998	\$ 2,504,794	\$ 19,840,340
Petty cash and cash on hand	400	-	-	400
	<u>\$ 13,858,948</u>	<u>\$ 3,476,998</u>	<u>\$ 2,504,794</u>	<u>\$ 19,840,740</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, 2019

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, \$20,014,828 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	\$ 47,138	Public Improvement Fund
Special assessments	19,255	Water Fund
	\$ 66,393	

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	285,138	13,491	-	298,629
Buildings, additions and improvements	431,234	21,896	-	453,130
Machinery and equipment	202,649	16,510	-	219,159
Vehicles	274,286	6,677	-	280,963
Total accumulated depreciation	1,193,307	58,574	-	1,251,881
Net capital assets being depreciated	792,490	(58,574)	-	733,916
Governmental activities capital assets, net	\$ 953,140	\$ (58,574)	\$ -	\$ 894,566

Charter Township of Union
Notes to the Financial Statements
December 31, 2019

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 275,780	\$ -	\$ -	\$ 275,780
Construction in progress	482,087	256,645	415,491	323,241
Total capital assets not being depreciated	757,867	256,645	415,491	599,021
Capital assets being depreciated				
Land improvements	41,964	-	-	41,964
Buildings, additions and improvements	202,927	186,348	-	389,275
Machinery and equipment	1,755,754	159,656	30,621	1,884,789
Vehicles	413,185	50,366	28,528	435,023
Water system	13,219,503	390,083	-	13,609,586
Sewer system	13,869,377	133,225	-	14,002,602
Wastewater treatment plant	12,567,029	-	-	12,567,029
Total capital assets being depreciated	42,069,739	919,678	59,149	42,930,268
Less accumulated depreciation for				
Land improvements	31,079	1,210	-	32,289
Buildings, additions and improvements	118,007	9,809	-	127,816
Machinery and equipment	1,006,353	122,864	30,621	1,098,596
Vehicles	235,080	28,349	28,528	234,901
Water system	4,955,824	302,571	-	5,258,395
Sewer system	7,486,272	312,544	-	7,798,816
Wastewater treatment plant	3,392,342	272,415	-	3,664,757
Total accumulated depreciation	17,224,957	1,049,762	59,149	18,215,570
Net capital assets being depreciated	24,844,782	(130,084)	-	24,714,698
Business-type capital assets, net	\$ 25,602,649	\$ 126,561	\$ 415,491	\$ 25,313,719

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	128,304	11,664	-	139,968
East Downtown Development Authority capital assets, net	\$ 104,975	\$ (11,664)	\$ -	\$ 93,311
West Downtown Development Authority				
Capital assets being depreciated				
Land improvements	\$ 15,473	\$ -	\$ -	\$ 15,473
Less accumulated depreciation for				
Land improvements	7,736	774	-	8,510
West Downtown Development Authority capital assets, net	\$ 7,737	\$ (774)	\$ -	\$ 6,963
Total component units	\$ 112,712	\$ (12,438)	\$ -	\$ 100,274

Charter Township of Union
Notes to the Financial Statements
December 31, 2019

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

Governmental activities	
General government	\$ 47,303
Public safety	1,978
Recreation and culture	<u>9,293</u>
Total governmental activities	<u>58,574</u>
Business-type activities	
Sewer	676,549
Water	<u>373,213</u>
Total business-type activities	<u>1,049,762</u>
Total primary government	<u><u>\$ 1,108,336</u></u>

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

East Downtown Development Authority	\$ 11,664
West Downtown Development Authority	<u>774</u>
Total component units	<u><u>\$ 12,438</u></u>

Construction Commitments

Project	Total Project	Amount Spent	Remaining Balance
General Fund			
Lincoln Rd. upgrade project	\$ 166,700	\$ -	\$ 166,700
Isabella Rd. intersection project	267,453	-	267,453
Playground equipment installation	56,364	31,364	25,000
Jameson Hall upgrade project	<u>211,000</u>	-	<u>211,000</u>
	<u>701,517</u>	<u>31,364</u>	<u>670,153</u>
Fire Fund			
Pumper Fire Truck	<u>447,031</u>	-	<u>447,031</u>
West DDA Fund			
Lincoln Rd. upgrade project	<u>330,000</u>	-	<u>330,000</u>
Sewer Fund			
Pump station #1 replacement	428,525	54,374	374,151
Pump station #14 upgrade	292,127	184,722	107,405
WWTP screw pump #3 installation	<u>298,600</u>	<u>4,353</u>	<u>294,247</u>
	<u>1,019,252</u>	<u>243,449</u>	<u>775,803</u>
Water Fund			
Well #11 project	<u>364,434</u>	<u>79,792</u>	<u>284,642</u>
	<u><u>\$ 2,862,234</u></u>	<u><u>\$ 354,605</u></u>	<u><u>\$ 2,507,629</u></u>

Charter Township of Union
Notes to the Financial Statements
December 31, 2019

Note 6 - Interfund Receivables and Payables

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Sewer Fund	\$ 48
General Fund	Water Fund	55
		<u>\$ 103</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Note 7 - Capital Lease

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

Year ending December 31,	
2020	\$ 17,940
2021	4,485
Total minimum lease payments	<u>22,425</u>
Less amount representing interest	(1,303)
Present value of minimum lease payments	<u>\$ 21,122</u>
Asset	
Machinery and equipment	\$ 73,731
Less accumulated depreciation	(55,298)
Total	<u>\$ 18,433</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:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Capital leases	\$ 27,094	\$ -	\$ 11,447	\$ 15,647	\$ 12,397
Compensated absences	14,572	33,667	26,675	21,564	21,564
Total governmental activities	<u>\$ 41,666</u>	<u>\$ 33,667</u>	<u>\$ 38,122</u>	<u>\$ 37,211</u>	<u>\$ 33,961</u>
Business-type activities					
Bonds payable					
General obligation bonds					
2009 Wastewater Refunding Bonds	\$ 1,170,000	\$ -	\$ 375,000	\$ 795,000	\$ 390,000
2010 Water Revenue Bonds	1,480,000	-	95,000	1,385,000	100,000
2011 Sanitary Sewer System (Phase I)	993,000	-	17,000	976,000	18,000
2011 Sanitary Sewer System (Phase II)	4,349,651	-	77,000	4,272,651	79,000
	<u>7,992,651</u>	<u>-</u>	<u>564,000</u>	<u>7,428,651</u>	<u>587,000</u>
Less deferred amounts					
for issuance discounts	(20,670)	-	(2,680)	(17,990)	-
Total bonds payable	<u>7,971,981</u>	<u>-</u>	<u>561,320</u>	<u>7,410,661</u>	<u>587,000</u>
Other liabilities					
Capital leases	9,481	-	4,006	5,475	4,338
Compensated absences	75,142	87,415	74,479	88,078	74,479
Total business-type activities	<u>\$ 8,056,604</u>	<u>\$ 87,415</u>	<u>\$ 639,805</u>	<u>\$ 7,504,214</u>	<u>\$ 665,817</u>

Charter Township of Union
Notes to the Financial Statements
December 31, 2019

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 \$390,000 to \$405,000 through April 1, 2021, with an interest rate of 4.00 percent, payable semi-annually.</p>	\$ 795,000
<p>\$2,105,000 General Obligation Water Revenue Bonds Series 2010 dated July 21, 2010, due in annual installments ranging from \$100,000 to \$155,000 through October 1, 2030, with an interest rate ranging from 3.30 to 4.40 percent, payable semi-annually.</p>	1,385,000
<p>\$1,100,000 Sewer System Revenue Bonds dated November 1, 2011, due in annual installments ranging from \$18,000 to \$47,000 through May 1, 2051, with an interest rate of 3.25 percent, payable semi-annually.</p>	976,000
<p>\$1,424,5110 Sewer System Revenue Bonds dated July 17, 2013, due in annual installments ranging from \$79,000 to \$189,000 through May 1, 2051, with an interest rate of 2.75 percent, payable semi-annually.</p>	<u>4,272,651</u>
	<u><u>\$ 7,428,651</u></u>

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

Year Ending December 31,	Business-type Activities	
	Bonds	
	Principal	Interest
2020	\$ 587,000	\$ 235,381
2021	609,000	206,015
2022	213,000	191,426
2023	221,000	184,532
2024	228,000	177,211
2025 - 2029	1,271,000	804,908
2030 - 2034	836,000	590,368
2035 - 2039	784,000	470,530
2040 - 2044	900,000	355,614
2045 - 2049	1,036,000	223,558
2050 - 2054	743,651	73,250
	<u>\$ 7,428,651</u>	<u>\$ 3,512,793</u>

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 \$21,564 for governmental activities. Resources from the general fund will be used to liquidate this liability. The business-type activities reported a liability of \$88,078. Resources from the sewer and water funds will be used to liquidate this liability.

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

Charter Township of Union
Notes to the Financial Statements
December 31, 2019

through fiscal year 2021. The balance at December 31, 2019 is \$77,493.

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, 2019, the Township's total payroll was \$1,427,400. The current year employer contribution was \$94,255. Employee contributions for the year ended December 31, 2019, totaled \$32,497.

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.

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,	
2020	\$ 763,800
2021	796,300
2022	812,900
2023	830,100
	\$ 3,203,100

Charter Township of Union
Notes to the Financial Statements
December 31, 2019

Note 13 - Subsequent Event

Subsequent to December 31, 2019, the Township purchased a pumper fire truck for \$447,031.

As a result of the global coronavirus pandemic of 2020, many organizations' financial picture has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the global picture continues to change daily. While management is hopeful that the impact is temporary in nature, a description of known and anticipated circumstances expected to have a significant impact on the Township as of the date of management's review is as follows

Revenues and Liquidity – The Township foresees changes to income, but does not expect to experience significant liquidity issues at this time, however, the effect the pandemic may have on taxable values is unknown. Future state shared revenues are expected to be lower as a result of fewer sales tax collections.

Receivables – The Township is prepared to see future delays in collection of receivables; however, the extent of any future delays in payment remains uncertain. As of the date of the report, the Township has not experienced significant issues.

Charter Township of Union
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes				
Property taxes	\$ 296,200	\$ 300,200	\$ 301,652	\$ 1,452
Other taxes	5,500	5,500	5,629	129
Penalties and interest	6,500	6,500	7,098	598
Administration fee	148,700	148,700	156,316	7,616
Licenses and permits	62,000	63,000	70,665	7,665
State revenue sharing	1,119,000	1,139,000	1,208,500	69,500
State grants	7,000	4,500	4,496	(4)
Charges for services	214,000	217,000	217,233	233
Fines and forfeitures	1,000	1,000	249	(751)
Interest income	60,000	110,000	120,392	10,392
Rental income	9,900	9,900	9,870	(30)
Other revenue	30,500	22,500	21,593	(907)
Sale of fixed assets	500	500	-	(500)
	<u>1,960,800</u>	<u>2,028,300</u>	<u>2,123,693</u>	<u>95,393</u>
Total revenues				

Charter Township of Union
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Expenditures				
General government				
Township board	\$ 67,328	\$ 67,328	\$ 61,103	\$ (6,225)
Supervisor	20,172	20,172	16,618	(3,554)
Manager	103,885	119,655	112,598	(7,057)
Accounting	180,236	151,233	139,398	(11,835)
Clerk	36,068	37,068	30,594	(6,474)
Data processing	52,500	64,400	49,516	(14,884)
Treasurer	34,185	34,185	28,706	(5,479)
Assessor	221,647	183,950	181,042	(2,908)
Elections	6,100	3,100	312	(2,788)
Buildings and grounds	52,550	65,650	57,305	(8,345)
Attorney	80,000	100,000	83,115	(16,885)
Total general government	<u>854,671</u>	<u>846,741</u>	<u>760,307</u>	<u>(86,434)</u>
Public safety				
Building inspection department	<u>265,463</u>	<u>293,609</u>	<u>282,167</u>	<u>(11,442)</u>

**Charter Township of Union
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2019**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public works				
Department of public works	\$ 674,000	\$ 160,700	\$ 107,144	\$ (53,556)
Community and economic development				
Planning	242,445	168,875	146,088	(22,787)
Recreation and culture				
Parks and recreation	178,697	128,147	78,194	(49,953)
Capital outlay	16,600	73,750	69,047	(4,703)
Debt service				
Principal retirement	11,448	11,448	11,447	(1)
Interest and fiscal charges	1,845	1,845	1,843	(2)
Total debt service	13,293	13,293	13,290	(3)
Total expenditures	2,245,169	1,685,115	1,456,237	(228,878)
Excess (deficiency) of revenues over expenditures	(284,369)	343,185	667,456	324,271
Fund balance - beginning of year	4,147,178	4,147,178	4,147,178	-
Fund balance - end of year	\$ 3,862,809	\$ 4,490,363	\$ 4,814,634	\$ 324,271

Charter Township of Union
Required Supplementary Information
Budgetary Comparison Schedule
Fire Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Taxes	\$ 597,050	\$ 604,150	\$ 609,437	\$ 5,287
Other state grants	15,500	20,800	20,804	4
Charges for services	120,000	115,100	115,463	363
Interest income	7,000	33,000	32,647	(353)
Sale of fixed assets	30,000	-	-	-
 Total revenues	 769,550	 773,050	 778,351	 5,301
Expenditures				
Current				
Public safety	813,850	781,550	733,212	(48,338)
Capital outlay	478,000	-	-	-
 Total expenditures	 1,291,850	 781,550	 733,212	 (48,338)
 Excess (deficiency) of revenues over expenditures	 (522,300)	 (8,500)	 45,139	 53,639
 Fund balance - beginning of year	 1,179,617	 1,179,617	 1,179,617	 -
 Fund balance - end of year	 \$ 657,317	 \$ 1,171,117	 \$ 1,224,756	 \$ 53,639

Charter Township of Union
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2019

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Tribal 2%	Public Improvement	
Assets			
Cash and cash equivalents	\$ 389,590	\$ 241,844	\$ 631,434
Receivables			
Special assessments	-	75,365	75,365
Accrued interest and other	278	185	463
	<u>389,868</u>	<u>317,394</u>	<u>707,262</u>
Total assets	<u>\$ 389,868</u>	<u>\$ 317,394</u>	<u>\$ 707,262</u>
Deferred inflows of resources			
Special assessments	\$ -	\$ 75,365	\$ 75,365
Fund Balances			
Restricted			
Tribal grants	389,868	-	389,868
Capital projects	-	242,029	242,029
	<u>389,868</u>	<u>242,029</u>	<u>631,897</u>
Total fund balances	<u>389,868</u>	<u>242,029</u>	<u>631,897</u>
	<u>\$ 389,868</u>	<u>\$ 317,394</u>	<u>\$ 707,262</u>
Total deferred inflows of resources and fund balances	<u>\$ 389,868</u>	<u>\$ 317,394</u>	<u>\$ 707,262</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, 2019

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Tribal 2%	Public Improvement	
Revenues			
Local contributions	\$ 213,120	\$ -	\$ 213,120
Interest income	5,984	3,874	9,858
Other revenue	-	46,105	46,105
Total revenues	<u>219,104</u>	<u>49,979</u>	<u>269,083</u>
Expenditures			
Current			
Public works	43,773	-	43,773
Health and welfare	7,100	-	7,100
Recreation and culture	25,081	-	25,081
Total expenditures	<u>75,954</u>	<u>-</u>	<u>75,954</u>
Net change in fund balance	143,150	49,979	193,129
Fund balance - beginning of year	<u>246,718</u>	<u>192,050</u>	<u>438,768</u>
Fund balance - end of year	<u>\$ 389,868</u>	<u>\$ 242,029</u>	<u>\$ 631,897</u>

Charter Township of Union
Component Unit - East Downtown Development Authority
Balance Sheet
December 31, 2019

Assets

Cash and cash equivalents	\$ 1,377,344
Receivables	
Taxes	22,968
Accrued interest and other	798
Due from other units of government	414,523
Prepaid items	<u>1,298</u>
 Total assets	 <u><u>\$ 1,816,931</u></u>

Liabilities

Accounts payable	<u>\$ 21,026</u>
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Deferred inflows of resources

Property taxes	<u>437,491</u>
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Fund Balances

Non-spendable	
Prepaid items	1,298
Restricted	
East DDA	<u>1,357,116</u>
 Total fund balances	 <u>1,358,414</u>

 Total liabilities, deferred inflows of resources and fund balances	 <u><u>\$ 1,816,931</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, 2019**

Total fund balance for component unit fund \$ 1,358,414

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.

93,311

Net position of component unit

\$ 1,451,725

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, 2019

Revenues

Taxes	\$	409,127
Other state grants		59,243
Interest income		23,801
Other revenue		12,735
		504,906
Total revenues		504,906

Expenditures

Current		
Public safety		66,311
Community and economic development		205,384
		271,695
Total expenditures		271,695
Net change in fund balance		233,211
Fund balance - beginning of year		1,125,203
Fund balance - end of year	\$	1,358,414

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, 2019

Net change in fund balances - total component unit fund	\$ 233,211
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>(11,664)</u>
Change in net position of component unit	<u><u>\$ 221,547</u></u>

Charter Township of Union
Component Unit - West Downtown Development Authority
Balance Sheet
December 31, 2019

Assets

Cash and cash equivalents	\$ 1,127,450
Receivables	
Taxes	93,228
Accrued interest and other	957
Due from other units of government	<u>229,673</u>
 Total assets	 <u><u>\$ 1,451,308</u></u>

Liabilities

Accounts payable	<u>\$ 107,210</u>
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Deferred inflows of resources

Property taxes	<u>322,902</u>
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Fund Balance

Restricted	
West DDA	<u>1,021,196</u>

Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 1,451,308</u></u>
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**Charter Township of Union
West Downtown Development Authority
Reconciliation of Fund Balances of Component Unit
to Net Position of Component Unit
December 31, 2019**

Total fund balance for component unit fund \$ 1,021,196

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.

6,963

Net position of component unit

\$ 1,028,159

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, 2019

Revenues

Taxes	\$ 306,434
Interest income	<u>22,468</u>
Total revenues	<u>328,902</u>

Expenditures

Current	
Public safety	49,152
Community and economic development	<u>274,619</u>
Total expenditures	<u>323,771</u>
Net change in fund balance	5,131
Fund balance - beginning of year	<u>1,016,065</u>
Fund balance - end of year	<u><u>\$ 1,021,196</u></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, 2019

Net change in fund balances - total component unit fund \$ 5,131

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 (774)

Change in net position of component unit \$ 4,357



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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, 2019, 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 8, 2020.

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 8, 2020