

Charter Township of Union

Financial Statements

December 31, 2020



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Charter Township of Union
List of Elected and Appointed Officials
December 31, 2020

Board of Trustees

Bryan Mielke, Supervisor

Lisa Cody, Clerk

Kim Rice, Treasurer

Bill Hauck, Trustee

Connie Bills, Trustee

Jeff Brown, Trustee

James Thering, Jr., 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, 2020, 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, 2020, 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 April 29, 2021, 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
April 29, 2021

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2020**

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, 2020.

FINANCIAL HIGHLIGHTS

- The Township's combined total net position is \$34.1 million for the fiscal year ended December 31, 2020, compared to \$33.3 million last fiscal year.
- The combined total net position increased by \$0.8 million.
- In the Township's governmental activities, revenues generated \$3.2 million, while expenses were \$2.7 million.
- In the Township's business-type activities, revenues generated \$4.3 million, while expenses were \$4.0 million.
- The total revenues of all Township programs, including government and business-type activities was \$7.5 million, no change from last fiscal year.
- The total cost of all Township programs, including governmental and business-type activities was \$6.7 million, up \$0.6 million from last fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Financial Statements

The government-wide statements are designed to provide readers with an overview of the Township's finances, as a whole, in a manner similar to a private sector business. The *statement of net position* presents information on all 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, 2020**

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, 2020**

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, 2020 and 2019:

The Township's total combined net position for the fiscal year ended December 31, 2020 is \$34.1 million, made up of \$26.0 million in business-type activities, and \$8.1 million in governmental activities.

Combined unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, is \$12.8 million. Business-type activities unrestricted total is \$7.6 million, while the unrestricted governmental activities net asset total is \$5.2 million.

A portion of the Township's net position (58%) 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, 2020**

Charter Township of Union Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Assets						
Current assets	\$ 7,955,921	\$ 7,886,687	\$ 8,364,727	\$ 8,099,027	\$ 16,320,648	\$ 15,985,714
Capital assets	1,364,757	894,566	25,075,144	25,313,719	26,439,901	26,208,285
Total assets	9,320,678	8,781,253	33,439,871	33,412,746	42,760,549	42,193,999
Deferred outflows of resources						
Deferred amount on refunding	-	-	38,746	77,493	38,746	77,493
Liabilities						
Current liabilities	118,940	130,738	1,170,988	923,199	1,289,928	1,053,937
Long-term liabilities	-	3,250	6,253,768	6,838,397	6,253,768	6,841,647
Total liabilities	118,940	133,988	7,424,756	7,761,596	7,543,696	7,895,584
Deferred inflows of resources						
Property taxes	1,127,338	1,043,258	-	-	1,127,338	1,043,258
Net position						
Net investment in capital assets	1,361,507	878,919	18,286,412	17,975,076	19,647,919	18,853,995
Restricted	1,475,632	1,932,018	190,000	277,887	1,665,632	2,209,905
Unrestricted	5,237,261	4,793,070	7,577,449	7,475,680	12,814,710	12,268,750
Total net position	\$ 8,074,400	\$ 7,604,007	\$ 26,053,861	\$ 25,728,643	\$ 34,128,261	\$ 33,332,650

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2020**

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, 2020 and 2019:

Governmental Activities

Net position for governmental activities increased by \$0.5 million during the year ended December 31, 2020, compared to a \$0.8 million increase last year.

The Township's total governmental revenue is \$3.2 million in 2020, which is a \$0.1 million increase over the prior year

Expenses for governmental activities totaled \$2.7 million, which is a \$0.4 million increase over the prior year.

Business-type Activities

Net position for business-type activities increased by \$0.3 million during the year ended December 31, 2020, compared to a \$0.6 million increase last year.

Total revenue from business-type activities was \$4.3 million in 2020, which was a decrease of \$0.1 million over the prior year.

Expenses for business-type activities totaled \$4.0 million, an increase of \$0.2 million from the prior year.

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2020**

Charter Township of Union Change in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Charges for services	\$ 436,197	\$ 439,085	\$ 4,018,285	\$ 4,073,527	\$ 4,454,482	\$ 4,512,612
Operating grants and contributions	48,091	25,300	47,352	13,750	95,443	39,050
Capital grants and contributions	273,186	213,120	73,534	162,932	346,720	376,052
General revenues						
Property taxes	1,110,232	1,080,132	-	-	1,110,232	1,080,132
State shared revenue	1,202,383	1,208,500	-	-	1,202,383	1,208,500
Unrestricted investment earnings	124,704	162,897	128,284	164,978	252,988	327,875
Miscellaneous	23,839	1,102	58,044	27,536	81,883	28,638
Total revenues	<u>3,218,632</u>	<u>3,130,136</u>	<u>4,325,499</u>	<u>4,442,723</u>	<u>7,544,131</u>	<u>7,572,859</u>
Expenses						
General government	914,080	836,622	-	-	914,080	836,622
Public safety	1,013,062	1,020,609	-	-	1,013,062	1,020,609
Public works	358,552	151,400	-	-	358,552	151,400
Health and welfare	-	7,123	-	-	-	7,123
Community and economic development	239,549	146,556	-	-	239,549	146,556
Recreation and culture	222,104	155,369	-	-	222,104	155,369
Interest on long-term debt	892	1,843	-	-	892	1,843
Sewer	-	-	2,473,494	2,379,125	2,473,494	2,379,125
Water	-	-	1,526,787	1,437,796	1,526,787	1,437,796
Total expenses	<u>2,748,239</u>	<u>2,319,522</u>	<u>4,000,281</u>	<u>3,816,921</u>	<u>6,748,520</u>	<u>6,136,443</u>
Change in net position	470,393	810,614	325,218	625,802	795,611	1,436,416
Net position - beginning 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>
Net position - end of year	<u>\$ 8,074,400</u>	<u>\$ 7,604,007</u>	<u>\$ 26,053,861</u>	<u>\$ 25,728,643</u>	<u>\$ 34,128,261</u>	<u>\$ 33,332,650</u>

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2020**

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 230% of total General Fund expenditures including transfers to other funds. The fund balance of the General Fund increased by about \$437,000 during the current fiscal year due to revenues being higher than expenditures.

The fund balance of the Fire Fund decreased by approximately \$401,000 during the current fiscal year. This is because of the purchase of a new fire truck.

The Water and Sewer Funds are the Township's two major Proprietary Funds. The net position of the Sewer Fund increased by approximately \$234,000 during the year. The increase was partly due to spending under budget. The net position of the Water Fund increased by approximately \$90,000 during the year. The increase was partly due to 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 2020 original budget were estimated to be \$278,637 lower than expenditures. However, this estimated shortfall was amended to a surplus of \$34,082.

One of the challenges the Township faces in budgeting revenues is estimating building and zoning permit fees which fluctuate from year to year. As the Township grows, it is uncertain if new construction will increase or decrease when compared to past years. Another challenge is budgeting expenditures for Township contributions to the Isabella County Road Commission for several road construction projects. The road projects are a large part of the Township's general fund budget, and the projects can take more than one year to complete or even begin. The General Fund budget is amended mid-year when the progress on the various projects is easier to estimate. Overall, when the 2020 budget was amended, total estimated

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2020**

revenues decreased \$24,400 and total estimated expenditures were reduced by \$337,145, changing the estimated surplus (deficit) for the year from (\$278,637) to \$34,082.

In the fiscal year 2020, the General Fund budget for revenues decreased by approximately \$24,000 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 \$100,000 lower than the original budget of \$1,159,000. The budget for State revenue sharing was amended mid-year in response to COVID and uncertainty related to changes in State revenue sharing estimates. In addition, interest income was lower than expected when the original budget was created. Interest rates have decreased for the Certificates of Deposit that we purchased/renewed in 2020, and the Township has also decreased the amounts invested in 2020, so the budget was reduced by \$11,000 to reflect the drop in interest earnings. The Township also increased the budget for Federal Grants \$11,848 and State Grants \$30,980 when it was realized the Township could be eligible for a Federal Grant to replace Cities, Villages and Townships State revenue sharing State officials decided to revoke mid-year, and other State Grants related to election cost reimbursements.

General Fund appropriations decreased by \$337,145 from original budget to final amended budget in fiscal year 2020. Following are some of the notable details for these changes:

In the General Government area, the budget was increased \$11,000 in the Clerk Department and \$24,000 in the Elections Department mostly due to costs to run three elections during the year and the numbers of absentee ballots that were processed due to the public reaction to COVID-19. Also, the budget for Attorney fees was increased \$71,560 for the extraction ordinance related lawsuits that came up and additional legal fees for the lawsuit against the Township's retired Assessor approved by the Board of Trustees during the year.

There was a decrease in the Assessing Department of \$47,353 related to the retirement of the Township Assessor mid-year and a new contractual agreement with an MAO Assessor who generally works remotely. The Assessing Department budget overall had a net decrease of \$47,353 from the original budget of \$201,186, to a final amended budget of \$153,833.

In Public Works, the Township reduced the budgeted amounts for public works by \$233,400, 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 2021. 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 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 2021 as many projects have been delayed due to shutdowns throughout the State due to COVID-19. 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 increased approximately \$24,000. The budget in this area was increased based on actual wages for the newly hired Planning and Economic Development Director, the wages/benefits negotiated during collective bargaining, and the larger than expected increase in health care costs.

The Parks and Recreation budget in the General Fund was reduced by \$14,000 for the parks master plan update when it was determined that it would be delayed until 2021 instead of 2020. The Parks and Recreation budget was also reduced for a decrease in wages/benefits charged to this department

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2020**

due to closures of the parks related to the public's reaction to COVID-19. Overall, the Parks and Recreation department budget was reduced about \$47,000 in 2020.

In the Capital Outlay area, the 2020 budget was decreased mainly due to the upgrade project for Jameson Hall being delayed until 2021 due to COVID-19 closures in Michigan mandated by the officials at the State of Michigan.

In the General Fund, each individual department in the fund came in under budget in 2020. Overall, the total actual expenditures in the general fund were under budget by \$241,503 or 11.4%

CAPITAL ASSETS

The Charter Township of Union's primary government has \$26,439,901 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 2019 to 2020, net capital assets increased \$470,191 for Governmental Activities and decreased \$238,575 for Business-type Activities. Additional details of capital assets can be found in the Notes to Financial Statements beginning on page 4-27. A summary of the capital assets for the Township's primary government follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Capital assets not being depreciated						
Land	\$ 160,650	\$ 160,650	\$ 275,780	\$ 275,780	\$ 436,430	\$ 436,430
Construction in progress	32,717	-	611,514	323,241	644,231	323,241
Capital assets being depreciated						
Land improvements	349,809	329,743	41,964	41,964	391,773	371,707
Building & improvements	1,101,389	1,089,260	389,275	389,275	1,490,664	1,478,535
Machinery and equipment	287,402	251,973	1,917,951	1,884,789	2,205,353	2,136,762
Vehicles	538,297	314,821	435,023	435,023	973,320	749,844
Water system	-	-	13,609,586	13,609,586	13,609,586	13,609,586
Sewer system	-	-	14,518,206	14,002,602	14,518,206	14,002,602
Wastewater treatment plant	-	-	12,567,029	12,567,029	12,567,029	12,567,029
Total capital assets	2,470,264	2,146,447	44,366,328	43,529,289	46,836,592	45,675,736
Less: accumulated depreciation	(1,105,507)	(1,251,881)	(19,291,184)	(18,215,570)	(20,396,691)	(19,467,451)
Capital assets, net	<u>\$ 1,364,757</u>	<u>\$ 894,566</u>	<u>\$ 25,075,144</u>	<u>\$ 25,313,719</u>	<u>\$ 26,439,901</u>	<u>\$ 26,208,285</u>

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2020**

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, \$587,000 of the bonded debt was retired in 2020. In addition, bond discounts were amortized in the amount of \$2,680 for the year.

The Business-type Activities of the Township have \$6,826,341 in outstanding bonded debt as of December 31, 2020. Of the outstanding debt, \$1,674,690 is general obligation bonded debt, and \$5,151,651 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, 2020, the Governmental Activities had \$3,250 in long-term debt outstanding on the lease and Business-type Activities had \$1,137 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, 2020. In the Governmental Activities (General Fund), the amounts owed were \$14,616. In the Business-type Activities (Water and Sewer Funds), the amounts owed were \$110,241. In the Governmental Activities, the liability for compensated absences decreased by \$6,948 for the year. In Business-type Activities, the accrual for compensated absences increased by \$22,163. Overall, the value of earned leave time owed to employees at December 31, 2020 that would be paid at the time of separation was \$124,857 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	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ -	\$ -	\$ 6,826,341	\$ 7,410,661	\$ 6,826,341	\$ 7,410,661
Capital lease	3,250	15,647	1,137	5,475	4,387	21,122
Compensated absences	14,616	21,564	110,241	88,078	124,857	109,642
	<u>\$ 17,866</u>	<u>\$ 37,211</u>	<u>\$ 6,937,719</u>	<u>\$ 7,504,214</u>	<u>\$ 6,955,585</u>	<u>\$ 7,541,425</u>

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2020**

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 at 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 an average of 2.0% since 2015, this is mainly due to the growth in the Township being offset by personal property taxes for small business no longer being assessed and the reductions created by tax tribunal cases filed with the State of Michigan 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 2021, the Township expects to receive less in General Fund revenues compared to 2020, due to the Coronavirus pandemic. Interest rates declined dramatically in 2020. To date, the interest rates have not recovered. Therefore, interest income in fiscal year 2021 is expected to be about 1/3 of the interest earned in 2020, down to \$36,000 from \$100,000 in the General Fund alone. There is always uncertainty in State revenue sharing levels and for the 2021 fiscal year the uncertainty is there. In 2020, the Township's actual State shared revenue received was \$1,202,383 and that amount was 52% of total General Fund revenues. The Township budgets for the last several fiscal years were prepared conservatively when estimating revenue sharing proceeds, so when the 2021 original budget was prepared, the estimate was \$1,040,000. Management is aware that the budget for revenue sharing may need to be amended up or down depending on actual payments received. The revenue sharing amount received for the first two months in 2021 is \$202,110.

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. Going forward, sales tax collections could be lower or higher, it is difficult to determine. The population of the Township is used to calculate the constitutional portion of the revenue sharing received. Therefore, the outcome of the 2020 Census will affect the revenue sharing received from the State. Management is watching for the outcome of the 2020 Census and watching actual amounts received 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 2021. 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 each year. 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 realizes the State of Michigan may terminate part of the statutory revenue sharing in 2021.

Total expenditures in the General Fund for the next fiscal year are estimated to be \$2.72 million. Included in those expenditures are contributions to the Isabella County Road Commission for road maintenance in the amount of \$717,500 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

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2020**

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 \$20,840 in the 2021 General Fund budget for a Chippewa River Trail Design Master Plan. In 2020, the Township received a grant for \$18,340 from the Saginaw Chippewa Indian Tribe to help fund the cost of this design plan. The work on this plan is being managed by the Chippewa Nature Center, a non-profit organization in Midland.

In the Parks Department, there is a major upgrade to Jameson Park and Jameson Hall planned this fiscal year totaling \$227,500. 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.

In 2020, the Township completed the purchase of a new fire truck with the help of the fire department staff at the City of Mt Pleasant. 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.

Overall, the Township has a good, strong financial position in the General Fund and all other funds. The strong financial position of the Township will help weather the economic storm created by decisions made at the Federal and State levels related to the COVID-19 pandemic. Township management is looking forward to the future and 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, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 6,732,591	\$ 7,143,033	\$ 13,875,624	\$ 2,907,609
Receivables				
Taxes	658,499	-	658,499	197,926
Customers	42,553	939,566	982,119	-
Special assessments	54,143	23,070	77,213	-
Accrued interest and other	3,536	4,873	8,409	484
Due from other units of government	195,022	-	195,022	610,809
Prepaid items	269,577	64,185	333,762	1,392
Restricted assets				
Cash and cash equivalents	-	190,000	190,000	-
Capital assets not being depreciated	193,367	887,294	1,080,661	-
Capital assets, net of accumulated depreciation	1,171,390	24,187,850	25,359,240	87,836
Total assets	<u>9,320,678</u>	<u>33,439,871</u>	<u>42,760,549</u>	<u>3,806,056</u>
Deferred outflows of resources				
Deferred amount on refunding	<u>-</u>	<u>38,746</u>	<u>38,746</u>	<u>-</u>

See Accompanying Notes to the Financial Statements

Charter Township of Union
Statement of Net Position
December 31, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Accounts payable	\$ 81,198	\$ 430,169	\$ 511,367	\$ 5,962
Accrued and other liabilities	19,876	56,868	76,744	-
Noncurrent liabilities				
Due within one year	17,866	683,951	701,817	-
Due in more than one year	-	6,253,768	6,253,768	-
 Total liabilities	 118,940	 7,424,756	 7,543,696	 5,962
 Deferred inflows of resources				
Property taxes	1,127,338	-	1,127,338	808,734
 Net position				
Net investment in capital assets	1,361,507	18,286,412	19,647,919	87,836
Restricted				
Fire	823,958	-	823,958	-
Tribal grants	328,501	-	328,501	-
Capital projects	323,173	-	323,173	-
Bond required reserves	-	190,000	190,000	-
East DDA	-	-	-	1,681,067
West DDA	-	-	-	1,222,457
Unrestricted	5,237,261	7,577,449	12,814,710	-
 Total net position	 \$ 8,074,400	 \$ 26,053,861	 \$ 34,128,261	 \$ 2,991,360

See Accompanying Notes to the Financial Statements

Charter Township of Union
Statement of Activities
For the Year Ended December 31, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 914,080	\$ 292,075	\$ 32,217	\$ -	\$ (589,788)	\$ -	\$ (589,788)	\$ -
Public safety	1,013,062	125,977	15,874	-	(871,211)	-	(871,211)	-
Public works	358,552	18,145	-	273,186	(67,221)	-	(67,221)	-
Community and economic development	239,549	-	-	-	(239,549)	-	(239,549)	-
Recreation and culture	222,104	-	-	-	(222,104)	-	(222,104)	-
Interest on long-term debt	892	-	-	-	(892)	-	(892)	-
Total governmental activities	2,748,239	436,197	48,091	273,186	(1,990,765)	-	(1,990,765)	-
Business-type activities								
Sewer	2,473,494	2,468,223	44,795	73,534	-	113,058	113,058	-
Water	1,526,787	1,550,062	2,557	-	-	25,832	25,832	-
Total business-type activities	4,000,281	4,018,285	47,352	73,534	-	138,890	138,890	-
Total primary government	\$ 6,748,520	\$ 4,454,482	\$ 95,443	\$ 346,720	(1,990,765)	138,890	(1,851,875)	-
Component units								
East Downtown Development Authority	\$ 205,669	\$ -	\$ 62,006	\$ -	-	-	-	(143,663)
West Downtown Development Authority	136,862	-	-	-	-	-	-	(136,862)
Total component units	\$ 342,531	\$ -	\$ 62,006	\$ -				(280,525)
General revenues								
Property taxes					1,110,232	-	1,110,232	758,480
State shared revenue					1,202,383	-	1,202,383	-
Unrestricted investment earnings					124,704	128,284	252,988	33,362
Miscellaneous					23,839	58,044	81,883	159
Total general revenues					2,461,158	186,328	2,647,486	792,001
Change in net position					470,393	325,218	795,611	511,476
Net position - beginning of year					7,604,007	25,728,643	33,332,650	2,479,884
Net position - end of year					\$ 8,074,400	\$ 26,053,861	\$ 34,128,261	\$ 2,991,360

See Accompanying Notes to the Financial Statements

Charter Township of Union
Governmental Funds
Balance Sheet
December 31, 2020

	General	Special Revenue Fund Fire	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 5,216,941	\$ 917,674	\$ 597,976	\$ 6,732,591
Receivables				
Taxes	245,498	413,001	-	658,499
Customers	42,553	-	-	42,553
Special assessments	-	-	54,143	54,143
Accrued interest and other	3,102	434	-	3,536
Due from other units of government	195,022	-	-	195,022
Prepaid items	70,502	199,075	-	269,577
	<u>5,773,618</u>	<u>1,530,184</u>	<u>652,119</u>	<u>7,955,921</u>
Total assets	<u>\$ 5,773,618</u>	<u>\$ 1,530,184</u>	<u>\$ 652,119</u>	<u>\$ 7,955,921</u>
Liabilities				
Accounts payable	\$ 80,753	\$ -	\$ 445	\$ 81,198
Accrued and other liabilities	19,876	-	-	19,876
	<u>100,629</u>	<u>-</u>	<u>445</u>	<u>101,074</u>
Total liabilities	<u>100,629</u>	<u>-</u>	<u>445</u>	<u>101,074</u>

See Accompanying Notes to the Financial Statements

Charter Township of Union
Governmental Funds
Balance Sheet
December 31, 2020

	General	Special Revenue Fund Fire	Nonmajor Governmental Funds	Total Governmental Funds
Deferred inflows of resources				
Property taxes	\$ 421,112	\$ 706,226	\$ -	\$ 1,127,338
Special assessments	-	-	54,143	54,143
 Total deferred inflows of resources	 421,112	 706,226	 54,143	 1,181,481
Fund Balances				
Non-spendable				
Prepaid items	70,502	199,075	-	269,577
Restricted for				
Fire	-	624,883	-	624,883
Tribal grants	-	-	328,501	328,501
Capital projects	-	-	269,030	269,030
Assigned for				
Future fiscal year budget	427,557	-	-	427,557
Road Commission projects	434,153	-	-	434,153
Unassigned	4,319,665	-	-	4,319,665
 Total fund balances	 5,251,877	 823,958	 597,531	 6,673,366
 Total liabilities, deferred inflows of resources, and fund balances	 \$ 5,773,618	 \$ 1,530,184	 \$ 652,119	 \$ 7,955,921

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, 2020

Total fund balances for governmental funds	\$ 6,673,366
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.	1,171,390
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	193,367
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	54,143
Certain liabilities are not due and payable in the current period and are not reported in the funds. Compensated absences	(14,616)
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>(3,250)</u>
Net position of governmental activities	<u><u>\$ 8,074,400</u></u>

Charter Township of Union
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2020

	General	Special Revenue Fund Fire	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 479,686	\$ 630,546	\$ -	\$ 1,110,232
Licenses and permits	87,713	-	-	87,713
Federal grants	6,571	-	-	6,571
State revenue sharing	1,202,383	-	-	1,202,383
Other state grants	15,229	15,874	-	31,103
Local contributions	179,593	-	104,010	283,603
Charges for services	204,915	122,552	-	327,467
Fines and forfeitures	503	-	-	503
Interest income	99,110	16,800	8,794	124,704
Rental income	2,359	-	-	2,359
Other revenue	39,670	-	23,546	63,216
Total revenues	<u>2,317,732</u>	<u>785,772</u>	<u>136,350</u>	<u>3,239,854</u>
Expenditures				
Current				
General government	863,268	-	-	863,268
Public safety	253,688	769,539	-	1,023,227
Public works	343,806	-	15,671	359,477
Community and economic development	240,167	-	-	240,167
Recreation and culture	58,538	-	155,045	213,583
Capital outlay	107,733	447,031	-	554,764
Debt service				
Principal retirement	12,397	-	-	12,397
Interest and fiscal charges	892	-	-	892
Total expenditures	<u>1,880,489</u>	<u>1,216,570</u>	<u>170,716</u>	<u>3,267,775</u>
Excess (deficiency) of revenues over expenditures	437,243	(430,798)	(34,366)	(27,921)
Other financing sources				
Sale of fixed assets	-	30,000	-	30,000
Net change in fund balance	437,243	(400,798)	(34,366)	2,079
Fund balance - beginning of year	4,814,634	1,224,756	631,897	6,671,287
Fund balance - end of year	<u>\$ 5,251,877</u>	<u>\$ 823,958</u>	<u>\$ 597,531</u>	<u>\$ 6,673,366</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, 2020**

Net change in fund balances - Total governmental funds	\$ 2,079
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	(77,181)
Capital outlay	547,372
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Special assessments	(21,222)
Expenses are recorded when incurred in the statement of activities.	
Compensated absences	6,948
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	12,397
Change in net position of governmental activities	\$ 470,393

Charter Township of Union
Proprietary Funds
Statement of Net Position
December 31, 2020

	Enterprise Funds		
	Sewer	Water	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 3,502,126	\$ 3,640,907	\$ 7,143,033
Receivables			
Customers	612,789	326,777	939,566
Special assessments, current	-	14,820	14,820
Accrued interest and other	2,591	2,282	4,873
Prepaid items	37,127	27,058	64,185
Total current assets	<u>4,154,633</u>	<u>4,011,844</u>	<u>8,166,477</u>
Noncurrent assets			
Restricted assets			
Cash and cash equivalents			
USDA bond reserve	190,000	-	190,000
Special assessments receivable, deferred	-	8,250	8,250
Capital assets not being depreciated	593,000	294,294	887,294
Capital assets, net of accumulated depreciation	<u>15,664,371</u>	<u>8,523,479</u>	<u>24,187,850</u>
Total noncurrent assets	<u>16,447,371</u>	<u>8,826,023</u>	<u>25,273,394</u>
Total assets	<u>20,602,004</u>	<u>12,837,867</u>	<u>33,439,871</u>
Deferred outflows of resources			
Deferred amount on refunding	<u>38,746</u>	<u>-</u>	<u>38,746</u>

See Accompanying Notes to the Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Net Position
December 31, 2020

	Enterprise Funds		
	Sewer	Water	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 325,861	\$ 104,308	\$ 430,169
Accrued and other liabilities	28,312	28,556	56,868
Current portion of noncurrent liabilities	545,214	138,737	683,951
Total current liabilities	899,387	271,601	1,170,988
Noncurrent liabilities			
Long-term debt net of current portion	5,071,635	1,182,133	6,253,768
Total liabilities	5,971,022	1,453,734	7,424,756
Net position			
Net investment in capital assets	10,740,050	7,546,362	18,286,412
Restricted for			
Bond required reserves	190,000	-	190,000
Unrestricted	3,739,678	3,837,771	7,577,449
Total net position	<u>\$ 14,669,728</u>	<u>\$ 11,384,133</u>	<u>\$ 26,053,861</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, 2020

	Enterprise Funds		
	Sewer	Water	Total
Operating revenue			
Customer fees	\$ 2,441,253	\$ 1,437,117	\$ 3,878,370
Connection fees	26,970	60,012	86,982
Rental income	-	52,933	52,933
Other revenue	54,978	3,066	58,044
Total operating revenue	<u>2,523,201</u>	<u>1,553,128</u>	<u>4,076,329</u>
Operating expenses			
Personnel services	865,511	608,695	1,474,206
Supplies	142,099	73,377	215,476
Contractual services	113,311	86,130	199,441
Utilities	223,400	130,348	353,748
Repairs and maintenance	172,102	149,010	321,112
Other expenses	53,063	37,092	90,155
Depreciation	689,911	385,703	1,075,614
Total operating expenses	<u>2,259,397</u>	<u>1,470,355</u>	<u>3,729,752</u>
Operating income	<u>263,804</u>	<u>82,773</u>	<u>346,577</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, 2020

	Enterprise Funds		
	Sewer	Water	Total
Nonoperating revenue (expenses)			
Federal grant	\$ 2,720	\$ 2,557	\$ 5,277
State grant	42,075	-	42,075
Interest income	66,474	61,810	128,284
Local contributions	73,534	-	73,534
Interest expense	(214,097)	(56,432)	(270,529)
 Total nonoperating revenues (expenses)	 (29,294)	 7,935	 (21,359)
 Change in net position	 234,510	 90,708	 325,218
 Net position - beginning of year	 14,435,218	 11,293,425	 25,728,643
 Net position - end of year	 <u>\$ 14,669,728</u>	 <u>\$ 11,384,133</u>	 <u>\$ 26,053,861</u>

See Accompanying Notes to the Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2020

	Enterprise Funds		
	Sewer	Water	Total
Cash flows from operating activities			
Receipts from customers	\$ 2,644,160	\$ 1,583,169	\$ 4,227,329
Payments to suppliers	(518,073)	(396,216)	(914,289)
Payments to employees	(850,965)	(593,488)	(1,444,453)
Net cash provided by operating activities	1,275,074	593,410	1,868,484
Cash flows from noncapital financing activities			
Federal grant	2,720	2,557	5,277
State grant	42,075	-	42,075
Net cash provided by noncapital financing activities	44,795	2,557	47,352
Cash flows from capital and related financing activities			
Proceeds from special assessments	3,737	11,005	14,742
Capital contributions	73,534	-	73,534
Purchases/construction of capital assets	(639,637)	(197,402)	(837,039)
Principal and interest paid on long-term debt	(708,956)	(159,623)	(868,579)
Net cash used by capital and related financing activities	(1,271,322)	(346,020)	(1,617,342)
Cash flows from investing activities			
Interest received	67,455	62,874	130,329
Net change in cash and cash equivalents	116,002	312,821	428,823
Cash and cash equivalents - beginning of year	3,576,124	3,328,086	6,904,210
Cash and cash equivalents - end of year	<u>\$ 3,692,126</u>	<u>\$ 3,640,907</u>	<u>\$ 7,333,033</u>

See Accompanying Notes to the Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2020

	Enterprise Funds		
	Sewer	Water	Total
Statement of Net Position classification			
Cash and cash equivalents	\$ 3,502,126	\$ 3,640,907	\$ 7,143,033
Restricted assets			
Cash and cash equivalents			
USDA bond reserve	190,000	-	190,000
Total cash and cash equivalents	\$ 3,692,126	\$ 3,640,907	\$ 7,333,033
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 263,804	\$ 82,773	\$ 346,577
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	729,759	387,282	1,117,041
Changes in assets and liabilities			
Receivables (net)	120,959	10,790	131,749
Due from other units of government	-	19,251	19,251
Prepaid items	(5,584)	1,023	(4,561)
Accounts payable	151,638	77,139	228,777
Accrued and other liabilities	3,118	4,472	7,590
Compensated absences	11,428	10,735	22,163
Net cash provided by operating activities	\$ 1,275,074	\$ 593,410	\$ 1,868,484

See Accompanying Notes to the Financial Statements

Charter Township of Union
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2020

	<u>Custodial Fund</u> <u>Current Tax Collection</u>
Assets	
Cash and cash equivalents	\$ 3,223,439
Liabilities	
Due to other units of government	<u>3,223,439</u>
Net Position	
Restricted for:	
Individuals, organizations, and other governments	<u><u>\$ -</u></u>

Charter Township of Union
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2020

	Custodial Fund
	Current Tax Collection
Additions	
Property tax collections for other governments	\$ 13,534,391
Deductions	
Payments of property tax to other governments	13,533,883
Change in net position	508
Net position (deficit) - beginning of year	(508)
Net position - end of year	\$ -

See Accompanying Notes to the Financial Statements

Charter Township of Union
Combining Statement of Component Units
Statement of Net Position
December 31, 2020

	East Downtown Development Authority	West Downtown Development Authority	Total
Assets			
Cash and cash equivalents	\$ 1,683,473	\$ 1,224,136	\$ 2,907,609
Receivables			
Taxes	76,485	121,441	197,926
Accrued interest and other	277	207	484
Due from other units of government	390,233	220,576	610,809
Prepaid items	1,392	-	1,392
Capital assets, net of accumulated depreciation	81,647	6,189	87,836
Total assets	<u>2,233,507</u>	<u>1,572,549</u>	<u>3,806,056</u>
Liabilities			
Accounts payable	4,076	1,886	5,962
Deferred inflows of resources			
Property taxes	<u>466,717</u>	<u>342,017</u>	<u>808,734</u>
Net position			
Net investment in capital assets	81,647	6,189	87,836
Restricted			
East DDA	1,681,067	-	1,681,067
West DDA	<u>-</u>	<u>1,222,457</u>	<u>1,222,457</u>
Total net position	<u>\$ 1,762,714</u>	<u>\$ 1,228,646</u>	<u>\$ 2,991,360</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, 2020

	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position		Total
		Operating Grants and Contributions	East	West	
			Downtown Development Authority	Downtown Development Authority	
Component units					
East Downtown Development Authority	\$ 205,669	\$ 62,006	\$ (143,663)	\$ -	\$ (143,663)
West Downtown Development Authority	136,862	-	-	(136,862)	(136,862)
Total component units	<u>\$ 342,531</u>	<u>\$ 62,006</u>	<u>(143,663)</u>	<u>(136,862)</u>	<u>(280,525)</u>
General revenues					
Property taxes			435,400	323,080	758,480
Interest income			19,093	14,269	33,362
Miscellaneous			159	-	159
Total general revenues			<u>454,652</u>	<u>337,349</u>	<u>792,001</u>
Change in net position			310,989	200,487	511,476
Net position - beginning of year			1,451,725	1,028,159	2,479,884
Net position - end of year			<u>\$ 1,762,714</u>	<u>\$ 1,228,646</u>	<u>\$ 2,991,360</u>

See Accompanying Notes to the Financial Statements

Charter Township of Union
Notes to the Financial Statements
December 31, 2020

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, 2020

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, 2020

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 2020 tax is levied and collectible on December 1, 2020, 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 2019 taxable valuation of the government totaled \$378,237,428, on which ad valorem taxes consisted of 1.000 mills for operating purposes and 2.000 mills for fire services. This resulted in \$378,237 for operating expenses and \$756,475 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, 2020

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, 2020

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. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes

specific provisions about the following: (1) The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments.

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and provides postponement of effective dates for certain GASB Statements. This statement was effective upon issuance in May of 2020.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB

Charter Township of Union
Notes to the Financial Statements
December 31, 2020

plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

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 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, 2022.

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, 2021.

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, 2022.

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending December 31, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is

Charter Township of Union
Notes to the Financial Statements
December 31, 2020

compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending December 31, 2023.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 Leases. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending December 31, 2023.

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.

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.

Charter Township of Union
Notes to the Financial Statements
December 31, 2020

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

Shortfall at January 1, 2020	\$ (734,306)
Current year building permit revenue	174,495
Related expenditures	<u>(493,855)</u>
Cumulative shortfall at December 31, 2020	<u>\$ (1,053,666)</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	\$ 6,732,591	\$ -	\$ 6,732,591
Business-type activities	7,143,033	190,000	7,333,033
Total primary government	<u>13,875,624</u>	<u>190,000</u>	<u>14,065,624</u>
Fiduciary funds	3,223,439	-	3,223,439
Component unit	<u>2,907,609</u>	<u>-</u>	<u>2,907,609</u>
Total	<u>\$ 20,006,672</u>	<u>\$ 190,000</u>	<u>\$ 20,196,672</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)	\$ 14,065,224	\$ 3,223,439	\$ 2,907,609	\$ 20,196,272
Petty cash and cash on hand	<u>400</u>	<u>-</u>	<u>-</u>	<u>400</u>
	<u>\$ 14,065,624</u>	<u>\$ 3,223,439</u>	<u>\$ 2,907,609</u>	<u>\$ 20,196,672</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.

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.

Charter Township of Union
Notes to the Financial Statements
December 31, 2020

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, \$20,412,865 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	\$ 35,088	Public Improvement Fund
Special assessments	8,250	Water Fund
	<u>\$ 43,338</u>	

Note 5 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 160,650	\$ -	\$ -	\$ 160,650
Construction in progress	-	32,717	-	32,717
Total capital assets not being depreciated	<u>160,650</u>	<u>32,717</u>	<u>-</u>	<u>193,367</u>
Capital assets being depreciated				
Land improvements	329,743	20,066	-	349,809
Buildings, additions and improvements	1,089,260	12,129	-	1,101,389
Machinery and equipment	251,973	35,429	-	287,402
Vehicles	314,821	447,031	223,555	538,297
Total capital assets being depreciated	<u>1,985,797</u>	<u>514,655</u>	<u>223,555</u>	<u>2,276,897</u>
Less accumulated depreciation for				
Land improvements	298,629	10,468	-	309,097
Buildings, additions and improvements	453,130	22,149	-	475,279
Machinery and equipment	219,159	17,397	-	236,556
Vehicles	280,963	27,167	223,555	84,575
Total accumulated depreciation	<u>1,251,881</u>	<u>77,181</u>	<u>223,555</u>	<u>1,105,507</u>
Net capital assets being depreciated	<u>733,916</u>	<u>437,474</u>	<u>-</u>	<u>1,171,390</u>
Governmental activities capital assets, net	<u>\$ 894,566</u>	<u>\$ 470,191</u>	<u>\$ -</u>	<u>\$ 1,364,757</u>

Charter Township of Union
Notes to the Financial Statements
December 31, 2020

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 275,780	\$ -	\$ -	\$ 275,780
Construction in progress	323,241	288,273	-	611,514
Total capital assets not being depreciated	599,021	288,273	-	887,294
Capital assets being depreciated				
Land improvements	41,964	-	-	41,964
Buildings, additions and improvements	389,275	-	-	389,275
Machinery and equipment	1,884,789	33,162	-	1,917,951
Vehicles	435,023	-	-	435,023
Water system	13,609,586	-	-	13,609,586
Sewer system	14,002,602	515,604	-	14,518,206
Wastewater treatment plant	12,567,029	-	-	12,567,029
Total capital assets being depreciated	42,930,268	548,766	-	43,479,034
Less accumulated depreciation for				
Land improvements	32,289	1,209	-	33,498
Buildings, additions and improvements	127,816	12,354	-	140,170
Machinery and equipment	1,098,596	123,352	-	1,221,948
Vehicles	234,901	28,768	-	263,669
Water system	5,258,395	311,548	-	5,569,943
Sewer system	7,798,816	325,969	-	8,124,785
Wastewater treatment plant	3,664,757	272,414	-	3,937,171
Total accumulated depreciation	18,215,570	1,075,614	-	19,291,184
Net capital assets being depreciated	24,714,698	(526,848)	-	24,187,850
Business-type capital assets, net	\$ 25,313,719	\$ (238,575)	\$ -	\$ 25,075,144

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	139,968	11,664	-	151,632
East Downtown Development Authority capital assets, net	\$ 93,311	\$ (11,664)	\$ -	\$ 81,647
West Downtown Development Authority				
Capital assets being depreciated				
Land improvements	\$ 15,473	\$ -	\$ -	\$ 15,473
Less accumulated depreciation for				
Land improvements	8,510	774	-	9,284
West Downtown Development Authority capital assets, net	\$ 6,963	\$ (774)	\$ -	\$ 6,189
Total component units	\$ 100,274	\$ (12,438)	\$ -	\$ 87,836

Charter Township of Union
Notes to the Financial Statements
December 31, 2020

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

Governmental activities	
General government	\$ 46,889
Public safety	22,468
Recreation and culture	<u>7,824</u>
 Total governmental activities	 <u>77,181</u>
Business-type activities	
Sewer	689,911
Water	<u>385,703</u>
Total business-type activities	<u>1,075,614</u>
 Total primary government	 <u><u>\$ 1,152,795</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	\$ 496,700	\$ -	\$ 496,700
Broadway-Isabella intersection	30,000	-	30,000
Isabella Rd. intersection project	447,453	-	447,453
Jameson Hall upgrade project - phase I	227,500	25,337	202,163
Jameson Hall upgrade project - phase II	228,293	-	228,293
Township board room electronics upgrade	<u>7,000</u>	-	<u>7,000</u>
	<u>1,436,946</u>	<u>25,337</u>	<u>1,411,609</u>
West DDA Fund			
Lincoln Rd. upgrade project	<u>330,000</u>	-	<u>330,000</u>
Sewer Fund			
Pump station #1 replacement	750,000	57,486	692,514
WWTP screw pump #3 installation	<u>341,250</u>	<u>276,834</u>	<u>64,416</u>
	<u>1,091,250</u>	<u>334,320</u>	<u>756,930</u>
Water Fund			
Well #11 project	<u>364,434</u>	<u>277,194</u>	<u>87,240</u>
	<u><u>\$ 3,222,630</u></u>	<u><u>\$ 636,851</u></u>	<u><u>\$ 2,585,779</u></u>

Charter Township of Union
Notes to the Financial Statements
December 31, 2020

Note 6 - Capital Lease

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

Year ending December 31,	
2021	\$ 4,485
Less amount representing interest	(98)
Present value of minimum lease payments	\$ 4,387
Asset	
Machinery and equipment	\$ 73,731
Less accumulated depreciation	(70,044)
Total	\$ 3,687

Note 7 - 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	\$ 15,647	\$ -	\$ 12,397	\$ 3,250	\$ 3,250
Compensated absences	21,564	34,446	41,394	14,616	14,616
Total governmental activities	\$ 37,211	\$ 34,446	\$ 53,791	\$ 17,866	\$ 17,866
Business-type activities					
Bonds payable					
General obligation bonds					
2009 Wastewater Refunding Bonds	\$ 795,000	\$ -	\$ 390,000	\$ 405,000	\$ 405,000
2010 Water Revenue Bonds	1,385,000	-	100,000	1,285,000	105,000
2011 Sanitary Sewer System (Phase I)	976,000	-	18,000	958,000	18,000
2011 Sanitary Sewer System (Phase II)	4,272,651	-	79,000	4,193,651	81,000
	7,428,651	-	587,000	6,841,651	609,000
Less deferred amounts					
for issuance discounts	(17,990)	-	(2,680)	(15,310)	-
Total bonds payable	7,410,661	-	584,320	6,826,341	609,000
Other liabilities					
Capital leases	5,475	-	4,338	1,137	1,137
Compensated absences	88,078	95,977	73,814	110,241	73,814
Total business-type activities	\$ 7,504,214	\$ 95,977	\$ 662,472	\$ 6,937,719	\$ 683,951

Charter Township of Union
Notes to the Financial Statements
December 31, 2020

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 of \$405,000 through April 1, 2021, with an interest rate of 4.00 percent, payable semi-annually.</p>	\$	405,000
<p>\$2,105,000 General Obligation Water Revenue Bonds Series 2010 dated July 21, 2010, due in annual installments ranging from \$105,000 to \$155,000 through October 1, 2030, with an interest rate ranging from 3.50 to 4.40 percent, payable semi-annually.</p>	1,285,000	
<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>	958,000	
<p>\$1,424,5110 Sewer System Revenue Bonds dated July 17, 2013, due in annual installments ranging from \$81,000 to \$189,000 through May 1, 2051, with an interest rate of 2.75 percent, payable semi-annually.</p>	4,193,651	
	<u>\$</u>	<u>6,841,651</u>

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

Year Ending December 31,	Business-type Activities	
	Bonds	
	Principal	Interest
2021	\$ 609,000	\$ 206,015
2022	213,000	191,426
2023	221,000	184,532
2024	228,000	177,211
2025	237,000	169,521
2026 - 2030	1,318,000	717,470
2031 - 2035	700,000	532,058
2036 - 2040	806,000	426,488
2041 - 2045	926,000	304,998
2046 - 2050	1,066,000	165,292
2051	517,651	25,189
	\$ 6,841,651	\$ 3,100,200

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payment for unused sick and vacation time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to \$14,616 for governmental activities. Resources from the general fund will be used to liquidate this liability. The business-type activities reported a liability of \$110,241. Resources from the sewer and water funds will be used to liquidate this liability.

Charter Township of Union
Notes to the Financial Statements
December 31, 2020

Deferred Amount on Refunding

The Township issued bonds in 2009 to advance refund and retire previously issued bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$464,957. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2021. The balance at December 31, 2020 is \$38,746.

Note 8 - 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 9 - 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 9.0 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, 2020, the Township's total payroll was \$1,559,229. The current year employer contribution was \$119,308. Employee contributions for the year ended December 31, 2020, totaled \$34,155.

Note 10 - 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 11 - 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.

Charter Township of Union
Notes to the Financial Statements
December 31, 2020

The remaining contractual commitment is as follows:

Year Ending December 31,	
2021	\$ 796,300
2022	812,900
2023	<u>830,100</u>
	<u><u>\$ 2,439,300</u></u>

Note 12 - Effect of COVID-19 Pandemic

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, it is not possible to estimate the effect this may have on the Township. Accordingly, no adjustments to the financial statements have been made related to this uncertainty.

Charter Township of Union
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Taxes				
Property taxes	\$ 298,500	\$ 308,500	\$ 311,764	\$ 3,264
Other taxes	5,400	5,400	5,866	466
Penalties and interest	6,700	3,800	4,550	750
Administration fee	149,700	153,900	157,506	3,606
Licenses and permits	68,000	83,000	87,713	4,713
Federal grants	-	11,848	6,571	(5,277)
State revenue sharing	1,159,000	1,059,000	1,202,383	143,383
State grants	4,500	35,480	15,229	(20,251)
Local contributions	141,000	176,776	179,593	2,817
Charges for services	217,000	202,150	204,915	2,765
Fines and forfeitures	800	800	503	(297)
Interest income	100,000	89,000	99,110	10,110
Rental income	9,900	2,420	2,359	(61)
Other revenue	19,500	23,500	39,670	16,170
Sale of fixed assets	500	500	-	(500)
	<u>2,180,500</u>	<u>2,156,074</u>	<u>2,317,732</u>	<u>161,658</u>
Total revenues				

**Charter Township of Union
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2020**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Expenditures				
General government				
Township board	\$ 66,896	\$ 61,196	\$ 56,072	\$ (5,124)
Supervisor	20,184	16,884	15,961	(923)
Manager	112,110	110,214	110,031	(183)
Accounting	220,929	202,699	187,210	(15,489)
Clerk	37,661	48,489	47,987	(502)
Data processing	49,775	52,425	42,024	(10,401)
Treasurer	34,985	35,035	29,073	(5,962)
Assessor	201,186	153,833	136,635	(17,198)
Elections	22,696	46,669	46,550	(119)
Buildings and grounds	66,050	73,050	69,657	(3,393)
Attorney	60,000	131,560	122,068	(9,492)
Total general government	892,472	932,054	863,268	(68,786)
Public safety				
Building inspection department	268,398	268,374	253,688	(14,686)

Charter Township of Union
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public works				
Department of public works	\$ 668,500	\$ 435,100	\$ 343,806	\$ (91,294)
Community and economic development				
Planning	228,691	253,238	240,167	(13,071)
Recreation and culture				
Parks and recreation	123,533	76,557	58,538	(18,019)
Capital outlay	264,250	143,379	107,733	(35,646)
Debt service				
Principal retirement	11,448	12,398	12,397	(1)
Interest and fiscal charges	1,845	892	892	-
Total debt service	13,293	13,290	13,289	(1)
Total expenditures	2,459,137	2,121,992	1,880,489	(241,503)
Excess (deficiency) of revenues over expenditures	(278,637)	34,082	437,243	403,161
Fund balance - beginning of year	4,814,634	4,814,634	4,814,634	-
Fund balance - end of year	\$ 4,535,997	\$ 4,848,716	\$ 5,251,877	\$ 403,161

Charter Township of Union
Required Supplementary Information
Budgetary Comparison Schedule
Fire Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 606,850	\$ 620,850	\$ 630,546	\$ 9,696
Other state grants	15,000	15,800	15,874	74
Charges for services	115,100	122,400	122,552	152
Interest income	20,000	15,000	16,800	1,800
Sale of fixed assets	30,000	30,000	30,000	-
 Total revenues	 786,950	 804,050	 815,772	 11,722
Expenditures				
Current				
Public safety	813,950	788,950	769,539	(19,411)
Capital outlay	478,000	448,000	447,031	(969)
 Total expenditures	 1,291,950	 1,236,950	 1,216,570	 (20,380)
 Deficiency of revenues over expenditures	 (505,000)	 (432,900)	 (400,798)	 32,102
 Fund balance - beginning of year	 1,224,756	 1,224,756	 1,224,756	 -
 Fund balance - end of year	 \$ 719,756	 \$ 791,856	 \$ 823,958	 \$ 32,102

**Charter Township of Union
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2020**

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Tribal 2%	Public Improvement	
Assets			
Cash and cash equivalents	\$ 328,946	\$ 269,030	\$ 597,976
Receivables			
Special assessments	-	54,143	54,143
 Total assets	<u>\$ 328,946</u>	<u>\$ 323,173</u>	<u>\$ 652,119</u>
Liabilities			
Accounts payable	\$ 445	\$ -	\$ 445
Deferred inflows of resources			
Special assessments	-	54,143	54,143
Fund Balances			
Restricted			
Tribal grants	328,501	-	328,501
Capital projects	-	269,030	269,030
 Total fund balances	<u>328,501</u>	<u>269,030</u>	<u>597,531</u>
 Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 328,946</u>	<u>\$ 323,173</u>	<u>\$ 652,119</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, 2020

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Tribal 2%	Public Improvement	
Revenues			
Local contributions	\$ 104,010	\$ -	\$ 104,010
Interest income	5,339	3,455	8,794
Other revenue	-	23,546	23,546
Total revenues	109,349	27,001	136,350
Expenditures			
Current			
Public works	15,671	-	15,671
Recreation and culture	155,045	-	155,045
Total expenditures	170,716	-	170,716
Net change in fund balance	(61,367)	27,001	(34,366)
Fund balance - beginning of year	389,868	242,029	631,897
Fund balance - end of year	<u>\$ 328,501</u>	<u>\$ 269,030</u>	<u>\$ 597,531</u>

Charter Township of Union
Component Unit - East Downtown Development Authority
Balance Sheet
December 31, 2020

Assets

Cash and cash equivalents	\$ 1,683,473
Receivables	
Taxes	76,485
Accrued interest and other	277
Due from other units of government	390,233
Prepaid items	<u>1,392</u>
 Total assets	 <u><u>\$ 2,151,860</u></u>

Liabilities

Accounts payable	<u>\$ 4,076</u>
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Deferred inflows of resources

Property taxes	<u>466,717</u>
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Fund Balances

Non-spendable	
Prepaid items	1,392
Restricted	
East DDA	<u>1,679,675</u>
 Total fund balances	 <u>1,681,067</u>

Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 2,151,860</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, 2020**

Total fund balance for component unit fund \$ 1,681,067

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.

81,647

Net position of component unit \$ 1,762,714

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, 2020

Revenues

Taxes	\$ 435,400
Other state grants	62,006
Interest income	19,093
Other revenue	<u>159</u>
Total revenues	<u>516,658</u>

Expenditures

Current	
Public safety	70,484
Community and economic development	<u>123,521</u>
Total expenditures	<u>194,005</u>
Net change in fund balance	322,653
Fund balance - beginning of year	<u>1,358,414</u>
Fund balance - end of year	<u><u>\$ 1,681,067</u></u>

**Charter Township of Union
East Downtown Development Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Component Units to the Statement of Activities
For the Year Ended December 31, 2020**

Net change in fund balances - total component unit fund	\$ 322,653
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>\$ 310,989</u></u>

Charter Township of Union
Component Unit - West Downtown Development Authority
Balance Sheet
December 31, 2020

Assets

Cash and cash equivalents	\$ 1,224,136
Receivables	
Taxes	121,441
Accrued interest and other	207
Due from other units of government	<u>220,576</u>
 Total assets	 <u><u>\$ 1,566,360</u></u>

Liabilities

Accounts payable	\$ 1,886
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Deferred inflows of resources

Property taxes	342,017
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Fund Balance

Restricted	
West DDA	<u>1,222,457</u>

Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 1,566,360</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, 2020**

Total fund balance for component unit fund \$1,222,457

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.

6,189

Net position of component unit \$ 1,228,646

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, 2020

Revenues

Taxes	\$ 323,080
Interest income	<u>14,269</u>
Total revenues	<u>337,349</u>

Expenditures

Current	
Public safety	52,067
Community and economic development	<u>84,021</u>
Total expenditures	<u>136,088</u>
Net change in fund balance	201,261
Fund balance - beginning of year	<u>1,021,196</u>
Fund balance - end of year	<u><u>\$ 1,222,457</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, 2020**

Net change in fund balances - total component unit fund \$ 201,261

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 \$ 200,487



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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, 2020, 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 April 29, 2021.

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
April 29, 2021