

# Charter Township of Union

Financial Statements

December 31, 2022



# YEO & YEO

BUSINESS SUCCESS  
PARTNERS

## Table of Contents

<b>Section</b>	<b>Page</b>
1 <b>Independent Auditors' Report</b>	1 – 1
2 <b>Management's Discussion and Analysis</b>	2 – 1
3 <b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	3 – 1
Statement of Activities	3 – 3
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3 – 4
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	3 – 6
Statement of Revenues, Expenditures and Changes in Fund Balances	3 – 7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	3 – 8
Proprietary Funds	
Statement of Net Position	3 – 9
Statement of Revenues, Expenses and Changes in Fund Net Position	3 – 11
Statement of Cash Flows	3 – 12
Fiduciary Funds	
Statement of Fiduciary Net Position	3 – 14
Statement of Changes in Fiduciary Net Position	3 – 15
Component Unit Funds	
Combining Statement of Component Units Statement of Net Position	3 – 16
Combining Statement of Component Units Statement of Activities	3 – 17
Notes to the Financial Statements	3 – 18

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

## Independent Auditors' Report

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited 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 the Charter Township of Union, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, 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.

#### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Charter Township of Union, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, in 2022 the Charter Township of Union adopted new accounting guidance, GASBS No. 87, *Leases*. Our opinions are not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter Township of Union's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Charter Township of Union's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter Township of Union's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **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 is the responsibility of management and, 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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. Such information 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 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 27, 2023 on our consideration of the 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 the 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 the Charter Township of Union's internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Alma, Michigan  
April 27, 2023

**Charter Township of Union  
Managements' Discussion and Analysis  
Year Ended December 31, 2022**

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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, 2022.

**FINANCIAL HIGHLIGHTS**

- The Township's combined total net position is \$36.0 million for the fiscal year ended December 31, 2022, compared to \$35.0 million last fiscal year.
- The combined total net position increased by \$1.0 million.
- In the Township's governmental activities, revenues generated \$4.6 million, while expenses were \$3.8 million.
- In the Township's business-type activities, revenues generated \$4.5 million, while expenses were \$4.3 million.
- The total revenues of all Township programs, including government and business-type activities was \$9.1 million, up \$0.9 million from last fiscal year.
- The total cost of all Township programs, including governmental and business-type activities was \$8.1 million, up \$0.8 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, 2022**

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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 5 individual governmental funds. Separate information is provided for the General Fund, Fire Protection Fund, and the American Rescue Plan Act 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, 2022**

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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, 2022 and 2021:

The Township's total combined net position for the fiscal year ended December 31, 2021 is \$36.0 million, made up of \$26.5 million in business-type activities, and \$9.5 million in governmental activities.

Combined unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, is \$13.7 million. Business-type activities unrestricted total is \$7.6 million, while the unrestricted governmental activities net asset total is \$6.1 million.

A portion of the Township's net position (57%) reflects its investment in capital assets (e.g. land, buildings, equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Charter Township of Union  
Managements' Discussion and Analysis  
Year Ended December 31, 2022**

**Charter Township of Union Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
<b>Assets</b>						
Current assets	\$ 11,189,457	\$ 9,166,204	\$ 8,630,345	\$ 8,562,300	\$ 19,819,802	\$ 17,728,504
Capital assets	1,814,345	1,535,444	24,767,747	24,598,466	26,582,092	26,133,910
Total assets	<u>13,003,802</u>	<u>10,701,648</u>	<u>33,398,092</u>	<u>33,160,766</u>	<u>46,401,894</u>	<u>43,862,414</u>
<b>Liabilities</b>						
Current liabilities	2,312,232	843,076	519,438	845,724	2,831,670	1,688,800
Long-term liabilities	-	-	5,787,600	6,032,592	5,787,600	6,032,592
Total liabilities	<u>2,312,232</u>	<u>843,076</u>	<u>6,307,038</u>	<u>6,878,316</u>	<u>8,619,270</u>	<u>7,721,392</u>
<b>Deferred inflows of resources</b>						
Property taxes	1,196,259	1,127,220	-	-	1,196,259	1,127,220
Leases receivable	-	-	525,872	-	525,872	-
Total deferred inflows	<u>1,196,259</u>	<u>1,127,220</u>	<u>525,872</u>	<u>-</u>	<u>1,722,131</u>	<u>1,127,220</u>
<b>Net position</b>						
Net investment in capital assets	1,814,345	1,535,444	18,759,147	18,378,445	20,573,492	19,913,889
Restricted	1,552,232	1,383,480	230,000	228,712	1,782,232	1,612,192
Unrestricted	6,128,734	5,812,428	7,576,035	7,675,293	13,704,769	13,487,721
Total net position	<u>\$ 9,495,311</u>	<u>\$ 8,731,352</u>	<u>\$ 26,565,182</u>	<u>\$ 26,282,450</u>	<u>\$ 36,060,493</u>	<u>\$ 35,013,802</u>

**Charter Township of Union  
Managements' Discussion and Analysis  
Year Ended December 31, 2022**

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**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, 2022 and 2021:

**Governmental Activities**

Net position for governmental activities increased by \$1.0 million during the year ended December 31, 2022, compared to a \$0.8 million increase last year.

The Township's total governmental revenue is \$4.6 million in 2022, which is a \$0.8 million increase over the prior year

Expenses for governmental activities totaled \$3.8 million, which is a \$0.7 million increase over the prior year.

**Business-type Activities**

Net position for business-type activities increased by \$0.2 million during the year ended December 31, 2022, compared to a \$0.2 million increase last year.

Total revenue from business-type activities was \$4.5 million in 2022, which was an increase of \$0.1 million over the prior year.

Expenses for business-type activities totaled \$4.3 million, an increase of \$0.1 million from the prior year.

**Charter Township of Union  
Managements' Discussion and Analysis  
Year Ended December 31, 2022**

**Charter Township of Union Change in Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 577,136	\$ 533,241	\$ 4,508,365	\$ 4,361,638	\$ 5,085,501	\$ 4,894,879
Operating grants and contributions	303,786	62,418	-	-	303,786	62,418
Capital grants and contributions	1,064,973	529,258	-	-	1,064,973	529,258
General revenues						
Property taxes	1,184,630	1,199,296	-	-	1,184,630	1,199,296
State shared revenue	1,361,761	1,397,481	-	-	1,361,761	1,397,481
Unrestricted investment earnings	39,614	30,757	33,954	33,215	73,568	63,972
Miscellaneous	14,370	19,513	16,400	7,559	30,770	27,072
Total revenues	<u>4,546,270</u>	<u>3,771,964</u>	<u>4,558,719</u>	<u>4,402,412</u>	<u>9,104,989</u>	<u>8,174,376</u>
<b>Expenses</b>						
General government	861,110	890,522	-	-	861,110	890,522
Public safety	1,118,171	1,031,475	-	-	1,118,171	1,031,475
Public works	1,432,120	836,433	-	-	1,432,120	836,433
Health and welfare	-	-	-	-	-	-
Community and economic development	265,974	253,882	-	-	265,974	253,882
Recreation and culture	104,936	102,627	-	-	104,936	102,627
Interest on long-term debt	-	73	-	-	-	73
Sewer	-	-	2,485,677	2,504,378	2,485,677	2,504,378
Water	-	-	1,790,310	1,669,445	1,790,310	1,669,445
Total expenses	<u>3,782,311</u>	<u>3,115,012</u>	<u>4,275,987</u>	<u>4,173,823</u>	<u>8,058,298</u>	<u>7,288,835</u>
Change in net position	763,959	656,952	282,732	228,589	1,046,691	885,541
Net position - beginning of year	8,731,352	8,074,400	26,282,450	26,053,861	35,013,802	34,128,261
Net position - end of year	<u>\$ 9,495,311</u>	<u>\$ 8,731,352</u>	<u>\$ 26,565,182</u>	<u>\$ 26,282,450</u>	<u>\$ 36,060,493</u>	<u>\$ 35,013,802</u>

**Charter Township of Union  
Managements' Discussion and Analysis  
Year Ended December 31, 2022**

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**Charter Township of Union's Funds**

Analysis of the Charter Township of Union's major funds begins on page 3-4, 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 \$5.2 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 204% of total General Fund expenditures including transfers to other funds. The fund balance of the General Fund increased by about \$311,000 during the current fiscal year due to revenues being higher than expenditures.

The fund balance of the Fire Fund increased by approximately \$48,000 during the current fiscal year. The Township has a contract with the City of Mt. Pleasant for fire services. Per the contract, the Township owed the City \$812,900 for fire services in 2022.

The American Rescue Plan Act Fund was created in 2021 to separately account for Federal funding received through the American Rescue Plan Act of 2021 (ARPA). As of December 31, 2022, the Township's Board of Trustees had decided to spend part of this funding on two projects. The first project that was approved is for an outdoor fitness center at McDonald Park. The estimated cost for this project is \$214,850 and it is expected to be completed in fiscal year 2023. The second project approved by the Board of Trustees was for gravel, grind, and new paving on Broomfield Road between Lincoln Road and Crawford Rd. That project was completed in 2022 and the Township's ARPA Fund's share of the project cost was \$136,048.

The Water and Sewer Funds are the Township's two major Proprietary Funds. The net position of the Sewer Fund increased by approximately \$322,000 during the year. The increase was partly due to spending under budget. The net position of the Water Fund decreased by approximately \$39,000 during the year. The increase was partly due to cost increases.

**General Fund Budgetary Highlights**

Budgets reflect the 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 4-1.

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 are well under budget. The revenues in the 2022 original budget were estimated to be \$627,353 lower than expenditures. This estimated shortfall was amended to

**Charter Township of Union  
Managements' Discussion and Analysis  
Year Ended December 31, 2022**

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a shortfall of \$458,279. These shortfalls were not worrisome because projects were planned in prior fiscal years that were carried over and expected to be completed in 2022, so the expected spending was from a fund balance surplus.

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 2022 budget was amended, total estimated revenues increased \$835,954 and total estimated expenditures were increased by \$666,880, changing the estimated surplus (deficit) for the year from (\$627,353) to (\$458,279).

In the fiscal year 2022, the General Fund budget for revenues increased by approximately \$836,000 from the original budget to the final amended budget. This was partly due to revenue sharing expected to receive from the State of Michigan. The amended budget for State revenue sharing was \$172,900 higher than the original budget of \$1,199,700. The budget for State revenue sharing was amended mid-year when actual payments were coming in higher than expected. In addition, interest income was higher than expected when the original budget was created. Interest rates have increased on the Money Market Accounts and the Certificates of Deposit that were purchased/renewed in 2022, so the budget was increased by \$13,500 to reflect the increase in interest earnings. The Township also increased the budget for Local Contributions \$630,000 when the Township's Economic Development Authority (EDA) approved \$120,600 to help pay for paved shoulders on the Lincoln Road/Broomfield Road Intersection Project in addition to the \$330,000 Contribution expected from the West DDA, and the Saginaw Chippewa Indian Tribe (SCIT) awarded the Township a 2% grant in the amount of \$179,504 for the Lincoln Road Improvement/Broomfield Rd Intersection project in the Township.

General Fund appropriations increased by \$666,880 from original budget to final amended budget in fiscal year 2022. Following are some of the notable details for these changes:

In Public Works, the Township increased the budgeted amounts for public works by \$639,000, because a major road project supported by the Township was expected to be completed by year end. This was for an upgrade to Lincoln Road between M-20 and Broomfield Road, south of the of the bridge, including the Lincoln Rd/Broomfield Rd intersection. The Township had committed to contributing \$167,000 for this project, and the West DDA had originally committed \$330,000 in funding for the project. This \$330,000 promised from the West DDA needed to be included in the General Fund budget amendment because it was omitted from the original budget. During 2022, the Board of Trustees also approved additional funding for the Lincoln Road/Broomfield Intersection project in the amount of \$300,000. This amount was in addition to the \$167,000 that was in the original budget. The budget was amended for the extra \$300,000 needed for the project soon after the Board's approval. The Lincoln Road project was fully complete by the end of 2022. Before the project was complete, the budget was amended a total additional \$630,000 for the project.

In the Capital Outlay area, the 2022 budget was decreased \$11,000 because the purchase of a new lawn mower for parks was delayed until 2023. The General Fund budget was increased by \$123,000 for the Jameson Hall upgrade project in Jameson Park that carried over from 2021 and was completed in 2022. The budget was also increased by \$18,400 for the General Fund's share of the new servers that were approved by the Board of Trustees in October, 2022. The capital outlay budget was decreased by \$96,000 when it was decided that the purchase of two new trucks for the

**Charter Township of Union  
Managements' Discussion and Analysis  
Year Ended December 31, 2022**

building department would be delayed until 2023. The net budget adjustments for capital outlay in the General Fund for 2022, was an increase of approximately \$35,000.

In the General Fund, each individual department in the fund came in under budget in 2022. Overall, the total actual expenditures in the general fund were under budget by \$767,194 or 23.1%

**CAPITAL ASSETS**

The Charter Township of Union's primary government has \$26,582,092 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 2021 to 2022, net capital assets increased \$278,901 for Governmental Activities and increased \$169,281 for Business-type Activities. Additional details of capital assets can be found in the Notes to Financial Statements beginning on page 3-18. A summary of the capital assets for the Township's primary government follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Capital assets not being depreciated						
Land	\$ 160,650	\$ 160,650	\$ 275,780	\$ 275,780	\$ 436,430	\$ 436,430
Construction in progress	168,570	256,494	157,301	341,394	325,871	597,888
Capital assets being depreciated						
Land improvements	349,809	349,809	41,964	41,964	391,773	391,773
Building & improvements	1,561,905	1,118,025	603,801	389,275	2,165,706	1,507,300
Machinery and equipment	287,402	287,402	2,274,932	2,071,294	2,562,334	2,358,696
Vehicles	538,297	538,297	890,299	435,023	1,428,596	973,320
Water system	-	-	13,941,801	13,941,801	13,941,801	13,941,801
Sewer system	-	-	15,574,691	14,952,006	15,574,691	14,952,006
Wastewater treatment plant	-	-	12,567,029	12,567,029	12,567,029	12,567,029
Total capital assets	3,066,633	2,710,677	46,327,598	45,015,566	49,394,231	47,726,243
Less: accumulated depreciation	(1,252,288)	(1,175,233)	(21,559,851)	(20,417,100)	(22,812,139)	(21,592,333)
Capital assets, net	<u>\$ 1,814,345</u>	<u>\$ 1,535,444</u>	<u>\$ 24,767,747</u>	<u>\$ 24,598,466</u>	<u>\$ 26,582,092</u>	<u>\$ 26,133,910</u>

**Charter Township of Union  
Managements' Discussion and Analysis  
Year Ended December 31, 2022**

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**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, \$211,421 of the bonded debt was retired in 2022. In addition, bond discounts were amortized \$1,579 for the year.

The Business-type Activities of the Township have \$6,008,600 in outstanding bonded debt as of December 31, 2022. Of the outstanding debt, \$1,058,949 is general obligation bonded debt, and \$4,949,651 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 through USDA Rural Development. Currently, there is no bonded debt outstanding for the Governmental Activities of Charter Township of Union.

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, 2022. In the Governmental Activities (General Fund), the amounts owed were \$22,472. In the Business-type Activities (Water and Sewer Funds), the amounts owed were \$115,820. In the Governmental Activities, the liability for compensated absences increased by \$1,910 for the year. In Business-type Activities, the accrual for compensated absences decreased by \$590. Overall, the value of earned leave time owed to employees at December 31, 2022 that would be paid at the time of separation was \$138,292 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	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ -	\$ -	\$ 6,008,600	\$ 6,220,021	\$ 6,008,600	\$ 6,220,021
Compensated absences	22,472	20,562	115,820	116,410	138,292	136,972
	\$ 22,472	\$ 20,562	\$ 6,124,420	\$ 6,336,431	\$ 6,146,892	\$ 6,356,993

**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 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.

**Charter Township of Union  
Managements' Discussion and Analysis  
Year Ended December 31, 2022**

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For the fiscal year 2024, we know that taxable values are increasing 5% due to inflation. In 2023, the Township expects to receive less in General Fund revenues compared to 2022. The main reason for lower revenues is because there were \$460,600 in contributions to the General Fund from the West DDA in 2022 for a major road project. Also, the General Fund received \$179,500 in contributions from the Tribal 2% Grant Fund for the same major road project. That project was completed in 2022. The Township may receive 2% Tribal Grant funding or contributions from the East or West DDA in 2023, but the amount is unknown at this time.

There is always uncertainty in State revenue sharing levels and for the 2023 fiscal year the uncertainty is there. In 2022, the Township's actual State shared revenue received was \$1,339,068 and that amount was about 47% 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 2023 original budget was prepared, the estimate was \$1,350,000. 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 2023 is \$195,309.

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. According to the 2020 Census, population in the Township decreased from 12,927 to 11,692 compared to the 2010 Census. This change in population will affect the revenue sharing received from the State in 2023. Management has taken this into consideration when calculating estimates for the 2023 General Fund budget.

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 \$49,400 in fiscal year 2023. 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 always uncertain.

Total expenditures in the General Fund for the next fiscal year are estimated to be \$3.1 million. Included in those expenditures are contributions to the Isabella County Road Commission for road maintenance in the amount of \$246,000 for an upgrade to Broomfield Road from Isabella Road to Mission St, a new street light at the corner of Pickard Road and Bamber Road, to improve four miles of gravel roads, and three brine applications to gravel roads. \$925,000 is in the budget for sidewalks in the Township. The planned sidewalks are: New sidewalks along the North side of Pickard Road from Ashland Dr. to Lincoln Rd, new sidewalk along the South side of West Pickard Rd. from the Lincoln/Pickard intersection to the Township Hall and into McDonald Park, construction of sidewalk ramps and pedestrian crossing at the Lincoln/Pickard intersection, sidewalk construction on the remaining sections of Broomfield and Bluegrass Roads, and a sidewalk connector project on Deerfield Rd to Denison Drive.

**Charter Township of Union  
Managements' Discussion and Analysis  
Year Ended December 31, 2022**

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The General Fund budget for Capital Outlay in 2023 is \$137,500. Of the \$137,500 budgeted, \$17,000 is for fiber optic to Jameson Hall, \$12,500 is for a new lawn mower for parks department, \$96,000 is for two new trucks for the building department, and \$12,000 is for a feasibility study for the Township Hall.

The American Rescue Plan Act of 2021 (ARPA) was signed into law on March 11, 2021. ARPA is a program offered by the Federal Government which is providing \$350 billion in additional funding for state and local governments. In 2021, the Township received \$717,032 from the Federal Government's ARPA funding. The Township received an additional \$722,788 in ARPA funding in fiscal year 2022. This funding is considered a replacement for revenue the Township lost due to COVID-19. The revenue will not be recorded in the fund until both of the following occur: 1) an award has been executed and 2) eligible expenditures are incurred. The Township's Board of Trustees has decided to spend some of the funding: \$214,850 on an outdoor fitness center at McDonald Park and \$136,049 to help the Isabella County Road Commission grind and pave Broomfield Road between Lincoln Road and Crawford Road. The funding must be obligated by December 31, 2024 and expended by December 31, 2026.

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](http://www.uniontownshipmi.com).

**Charter Township of Union**  
**Statement of Net Position**  
**December 31, 2022**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 9,797,125	\$ 6,767,279	\$ 16,564,404	\$ 2,767,375
Receivables				
Taxes	751,276	-	751,276	256,680
Customers	28,932	1,033,088	1,062,020	-
Special assessments	103,557	-	103,557	-
Accrued interest and other	1,676	3,975	5,651	772
Leases receivable	-	525,872	525,872	-
Due from other units of government	222,640	-	222,640	690,217
Internal balances	124	(124)	-	-
Prepaid items	284,127	70,255	354,382	1,707
Restricted assets				
Cash and cash equivalents	-	230,000	230,000	-
Property held for sale	-	-	-	20,464
Capital assets not being depreciated	329,220	433,081	762,301	197,697
Capital assets, net of accumulated depreciation	1,485,125	24,334,666	25,819,791	594,599
Total assets	13,003,802	33,398,092	46,401,894	4,529,511

See Accompanying Notes to the Financial Statements

**Charter Township of Union**  
**Statement of Net Position**  
**December 31, 2022**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Accounts payable	\$ 1,046,402	\$ 122,160	\$ 1,168,562	\$ 82,696
Accrued and other liabilities	32,007	60,458	92,465	-
Unearned revenue	1,211,351	-	1,211,351	-
Noncurrent liabilities				
Due within one year	22,472	336,820	359,292	-
Due in more than one year	-	5,787,600	5,787,600	-
 Total liabilities	 2,312,232	 6,307,038	 8,619,270	 82,696
 <b>Deferred inflows of resources</b>				
Deferred amount relating to property taxes	1,196,259	-	1,196,259	946,897
Deferred amount relating to leases receivable	-	525,872	525,872	-
 Total deferred inflows of resources	 1,196,259	 525,872	 1,722,131	 946,897
 <b>Net position</b>				
Net investment in capital assets	1,814,345	18,759,147	20,573,492	792,296
Restricted				
Fire	1,008,574	-	1,008,574	-
Tribal grants	157,809	-	157,809	-
Capital projects	385,849	-	385,849	-
Bond required reserves	-	230,000	230,000	-
Unrestricted	6,128,734	7,576,035	13,704,769	2,707,622
 Total net position	 \$ 9,495,311	 \$ 26,565,182	 \$ 36,060,493	 \$ 3,499,918

See Accompanying Notes to the Financial Statements

**Charter Township of Union**  
**Statement of Activities**  
**For the Year Ended December 31, 2022**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>Primary government</b>								
Governmental activities								
General government	\$ 861,110	\$ 310,085	\$ 283,030	\$ -	\$ (267,995)	\$ -	\$ (267,995)	\$ -
Public safety	1,118,171	141,430	20,756	-	(955,985)	-	(955,985)	-
Public works	1,432,120	125,621	-	1,064,973	(241,526)	-	(241,526)	-
Community and economic development	265,974	-	-	-	(265,974)	-	(265,974)	-
Recreation and culture	104,936	-	-	-	(104,936)	-	(104,936)	-
<b>Total governmental activities</b>	<b>3,782,311</b>	<b>577,136</b>	<b>303,786</b>	<b>1,064,973</b>	<b>(1,836,416)</b>	<b>-</b>	<b>(1,836,416)</b>	<b>-</b>
Business-type activities								
Sewer	2,485,677	2,786,297	-	-	-	300,620	300,620	-
Water	1,790,310	1,722,068	-	-	-	(68,242)	(68,242)	-
<b>Total business-type activities</b>	<b>4,275,987</b>	<b>4,508,365</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>232,378</b>	<b>232,378</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 8,058,298</b>	<b>\$ 5,085,501</b>	<b>\$ 303,786</b>	<b>\$ 1,064,973</b>	<b>(1,836,416)</b>	<b>232,378</b>	<b>(1,604,038)</b>	<b>-</b>
<b>Component units</b>								
East Downtown Development Authority	\$ 266,445	\$ -	\$ 62,229	\$ -				(204,216)
West Downtown Development Authority	525,081	-	321	-				(524,760)
<b>Total component units</b>	<b>\$ 791,526</b>	<b>\$ -</b>	<b>\$ 62,550</b>	<b>\$ -</b>				<b>(728,976)</b>
General revenues								
Property taxes					1,184,630	-	1,184,630	894,397
State shared revenue					1,361,761	-	1,361,761	-
Unrestricted investment earnings					39,614	33,954	73,568	14,129
Miscellaneous					14,370	16,400	30,770	14,820
<b>Total general revenues</b>					<b>2,600,375</b>	<b>50,354</b>	<b>2,650,729</b>	<b>923,346</b>
Change in net position					763,959	282,732	1,046,691	194,370
Net position - beginning of year					8,731,352	26,282,450	35,013,802	3,305,548
<b>Net position - end of year</b>					<b>\$ 9,495,311</b>	<b>\$ 26,565,182</b>	<b>\$ 36,060,493</b>	<b>\$ 3,499,918</b>

See Accompanying Notes to the Financial Statements

**Charter Township of Union  
Governmental Funds  
Balance Sheet  
December 31, 2022**

	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General	Fire	American Rescue Plan Act		
<b>Assets</b>					
Cash and cash equivalents	\$ 6,754,132	\$ 1,079,456	\$ 1,523,436	\$ 440,101	\$ 9,797,125
Receivables					
Taxes	285,053	466,223	-	-	751,276
Customers	28,932	-	-	-	28,932
Special assessments	-	-	-	103,557	103,557
Accrued interest and other	667	33	976	-	1,676
Due from other units of government	222,640	-	-	-	222,640
Due from other funds	124	-	-	-	124
Prepaid items	76,602	207,525	-	-	284,127
 Total assets	 <u>\$ 7,368,150</u>	 <u>\$ 1,753,237</u>	 <u>\$ 1,524,412</u>	 <u>\$ 543,658</u>	 <u>\$ 11,189,457</u>
 <b>Liabilities</b>					
Accounts payable	\$ 740,354	\$ -	\$ 306,048	\$ -	\$ 1,046,402
Accrued and other liabilities	32,007	-	-	-	32,007
Unearned revenue	-	-	1,211,351	-	1,211,351
 Total liabilities	 <u>772,361</u>	 <u>-</u>	 <u>1,517,399</u>	 <u>-</u>	 <u>2,289,760</u>

See Accompanying Notes to the Financial Statements

**Charter Township of Union**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2022**

	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General	Fire	American Rescue Plan Act		
<b>Deferred inflows of resources</b>					
Property taxes	\$ 451,596	\$ 744,663	\$ -	\$ -	\$ 1,196,259
Special assessments	-	-	-	103,557	103,557
Total deferred inflows of resources	451,596	744,663	-	103,557	1,299,816
<b>Fund Balances</b>					
Non-spendable					
Prepaid items	76,602	207,525	-	-	284,127
Restricted for					
Fire	-	801,049	-	-	801,049
Tribal grants	-	-	-	157,809	157,809
Capital projects	-	-	-	282,292	282,292
Assigned for					
Future fiscal year budget	851,841	-	-	-	851,841
American Rescue Plan Act expenditures	-	-	7,013	-	7,013
Unassigned	5,215,750	-	-	-	5,215,750
Total fund balances	6,144,193	1,008,574	7,013	440,101	7,599,881
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,368,150	\$ 1,753,237	\$ 1,524,412	\$ 543,658	\$ 11,189,457

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, 2022**

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<b>Total fund balances for governmental funds</b>	\$ 7,599,881
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.	1,485,125
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	329,220
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	103,557
Certain liabilities are not due and payable in the current period and are not reported in the funds. Compensated absences	<u>(22,472)</u>
<b>Net position of governmental activities</b>	<u><u>\$ 9,495,311</u></u>

**Charter Township of Union**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended December 31, 2022**

	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General	Fire	American Rescue Plan Act		
<b>Revenues</b>					
Taxes	\$ 486,034	\$ 698,596	\$ -	\$ -	\$ 1,184,630
Licenses and permits	89,420	-	-	-	89,420
Federal grants	-	-	228,469	-	228,469
State revenue sharing	1,361,761	-	-	-	1,361,761
Other state grants	4,561	20,756	-	-	25,317
Local contributions	640,098	-	50,000	424,875	1,114,973
Charges for services	211,066	141,430	-	-	352,496
Fines and forfeitures	3,860	-	-	-	3,860
Interest income	28,154	2,843	6,857	1,760	39,614
Rental income	5,239	-	-	-	5,239
Other revenue	33,755	-	-	74,951	108,706
Total revenues	<u>2,863,948</u>	<u>863,625</u>	<u>285,326</u>	<u>501,586</u>	<u>4,514,485</u>
<b>Expenditures</b>					
Current					
General government	803,166	-	-	-	803,166
Public safety	277,878	815,383	-	-	1,093,261
Public works	857,933	-	306,048	179,503	1,343,484
Community and economic development	265,833	-	-	-	265,833
Recreation and culture	97,240	-	-	-	97,240
Capital outlay	250,539	-	142,421	63,358	456,318
Total expenditures	<u>2,552,589</u>	<u>815,383</u>	<u>448,469</u>	<u>242,861</u>	<u>4,059,302</u>
Excess (deficiency) of revenues over expenditures	311,359	48,242	(163,143)	258,725	455,183
<b>Other financing sources (uses)</b>					
Transfers in	-	-	170,000	-	170,000
Transfers out	-	-	-	(170,000)	(170,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>170,000</u>	<u>(170,000)</u>	<u>-</u>
Net change in fund balances	311,359	48,242	6,857	88,725	455,183
Fund balances - beginning of year	5,832,834	960,332	156	351,376	7,144,698
Fund balances - end of year	<u>\$ 6,144,193</u>	<u>\$ 1,008,574</u>	<u>\$ 7,013</u>	<u>\$ 440,101</u>	<u>\$ 7,599,881</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, 2022**

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<b>Net change in fund balances - Total governmental funds</b>	\$ 455,183
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	(77,055)
Capital outlay	355,956
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Special assessments	31,785
Expenses are recorded when incurred in the statement of activities.	
Compensated absences	<u>(1,910)</u>
<b>Change in net position of governmental activities</b>	<u><u>\$ 763,959</u></u>

**Charter Township of Union**  
**Proprietary Funds**  
**Statement of Net Position**  
**December 31, 2022**

	Enterprise Funds		
	Sewer	Water	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 3,123,870	\$ 3,643,409	\$ 6,767,279
Receivables			
Customers	674,013	359,075	1,033,088
Accrued interest and other	2,001	1,974	3,975
Leases receivable	-	52,083	52,083
Due from other funds	56	-	56
Prepaid items	38,545	31,710	70,255
<b>Total current assets</b>	<b>3,838,485</b>	<b>4,088,251</b>	<b>7,926,736</b>
Noncurrent assets			
Restricted assets			
Cash and cash equivalents			
USDA bond reserve	230,000	-	230,000
Leases receivable	-	473,789	473,789
Capital assets not being depreciated	349,740	83,341	433,081
Capital assets, net of accumulated depreciation	15,850,592	8,484,074	24,334,666
<b>Total noncurrent assets</b>	<b>16,430,332</b>	<b>9,041,204</b>	<b>25,471,536</b>
<b>Total assets</b>	<b>20,268,817</b>	<b>13,129,455</b>	<b>33,398,272</b>

See Accompanying Notes to the Financial Statements

**Charter Township of Union**  
**Proprietary Funds**  
**Statement of Net Position**  
**December 31, 2022**

	Enterprise Funds		
	Sewer	Water	Total
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 68,077	\$ 54,083	\$ 122,160
Accrued and other liabilities	29,290	31,168	60,458
Due to other funds	53	127	180
Current portion of noncurrent liabilities	150,805	186,015	336,820
Total current liabilities	248,225	271,393	519,618
Noncurrent liabilities			
Long-term debt net of current portion	4,856,900	930,700	5,787,600
Total liabilities	5,105,125	1,202,093	6,307,218
<b>Deferred inflows of resources</b>			
Deferred amount relating to leases receivable	-	525,872	525,872
<b>Net position</b>			
Net investment in capital assets	11,250,681	7,508,466	18,759,147
Restricted for			
Bond required reserves	230,000	-	230,000
Unrestricted	3,683,011	3,893,024	7,576,035
Total net position	<u>\$ 15,163,692</u>	<u>\$ 11,401,490</u>	<u>\$ 26,565,182</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, 2022**

	Enterprise Funds		
	Sewer	Water	Total
<b>Operating revenue</b>			
Customer fees	\$ 2,722,297	\$ 1,584,841	\$ 4,307,138
Connection fees	64,000	80,840	144,840
Rental income	-	56,387	56,387
Other revenue	5,455	10,945	16,400
Total operating revenue	<u>2,791,752</u>	<u>1,733,013</u>	<u>4,524,765</u>
<b>Operating expenses</b>			
Personnel services	896,626	684,829	1,581,455
Supplies	206,854	101,589	308,443
Contractual services	88,606	118,118	206,724
Utilities	241,378	141,658	383,036
Repairs and maintenance	104,393	252,048	356,441
Other expenses	57,504	40,494	97,998
Depreciation	755,733	409,952	1,165,685
Total operating expenses	<u>2,351,094</u>	<u>1,748,688</u>	<u>4,099,782</u>
Operating income (loss)	<u>440,658</u>	<u>(15,675)</u>	<u>424,983</u>
<b>Nonoperating revenue (expenses)</b>			
Interest income	16,556	17,398	33,954
Gain on disposal of assets	7,500	7,500	15,000
Interest expense	(142,083)	(49,122)	(191,205)
Total nonoperating revenues (expenses)	<u>(118,027)</u>	<u>(24,224)</u>	<u>(142,251)</u>
Change in net position	322,631	(39,899)	282,732
Net position - beginning of year	<u>14,841,061</u>	<u>11,441,389</u>	<u>26,282,450</u>
Net position - end of year	<u>\$ 15,163,692</u>	<u>\$ 11,401,490</u>	<u>\$ 26,565,182</u>

See Accompanying Notes to the Financial Statements

**Charter Township of Union**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2022**

	Enterprise Funds		
	Sewer	Water	Total
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 2,760,241	\$ 1,715,909	\$ 4,476,150
Payments to other funds	(56)	-	(56)
Receipts from other funds	53	127	180
Payments to suppliers	(844,332)	(861,814)	(1,706,146)
Payments to employees	(903,267)	(682,254)	(1,585,521)
Net cash provided by operating activities	<u>1,012,639</u>	<u>171,968</u>	<u>1,184,607</u>
<b>Cash flows from capital and related financing activities</b>			
Proceeds from special assessments	-	10,841	10,841
Purchases/construction of capital assets	(1,130,753)	(204,213)	(1,334,966)
Principal and interest paid on long-term debt	(245,184)	(160,106)	(405,290)
Proceeds from sale of capital assets	7,500	7,500	15,000
Net cash used by capital and related financing activities	<u>(1,368,437)</u>	<u>(345,978)</u>	<u>(1,714,415)</u>
<b>Cash flows from investing activities</b>			
Interest received	<u>14,607</u>	<u>15,453</u>	<u>30,060</u>
Net change in cash and cash equivalents	(341,191)	(158,557)	(499,748)
Cash and cash equivalents - beginning of year	<u>3,695,061</u>	<u>3,801,966</u>	<u>7,497,027</u>
Cash and cash equivalents - end of year	<u>\$ 3,353,870</u>	<u>\$ 3,643,409</u>	<u>\$ 6,997,279</u>

See Accompanying Notes to the Financial Statements

**Charter Township of Union**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2022**

	Enterprise Funds		
	Sewer	Water	Total
<b>Statement of Net Position classification</b>			
Cash and cash equivalents	\$ 3,123,870	\$ 3,643,409	\$ 6,767,279
Restricted assets			
Cash and cash equivalents			
USDA bond reserve	230,000	-	230,000
Total cash and cash equivalents	<u>\$ 3,353,870</u>	<u>\$ 3,643,409</u>	<u>\$ 6,997,279</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ 440,658	\$ (15,675)	\$ 424,983
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Depreciation and amortization expense	755,733	411,531	1,167,264
Changes in assets and liabilities			
Receivables (net)	(31,511)	(542,976)	(574,487)
Prepaid items	2,044	(2,421)	(377)
Accounts payable	(147,641)	(207,065)	(354,706)
Accrued and other liabilities	(2,256)	(1,220)	(3,476)
Compensated absences	(4,385)	3,795	(590)
Deferred inflow of resources - leases receivable	-	525,872	525,872
Net cash provided by operating activities	<u>\$ 1,012,639</u>	<u>\$ 171,968</u>	<u>\$ 1,184,607</u>

See Accompanying Notes to the Financial Statements

**Charter Township of Union**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**December 31, 2022**

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	<u>Custodial Fund Current Tax Collection</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,784,465
Due from other units of government	<u>22,939</u>
Total assets	<u>2,807,404</u>
<b>Liabilities</b>	
Due to other units of government	<u>2,807,404</u>
<b>Net Position</b>	
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, 2022**

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	Custodial Fund
	Current Tax Collection
<b>Additions</b>	
Property tax collections for other governments	\$ 14,099,497
<b>Deductions</b>	
Payments of property tax to other governments	14,099,497
Change in net position	-
Net position - beginning of year	-
Net position - end of year	\$ -

**Charter Township of Union**  
**Combining Statement of Component Units**  
**Statement of Net Position**  
**December 31, 2022**

	East Downtown Development Authority	West Downtown Development Authority	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,869,310	\$ 898,065	\$ 2,767,375
Receivables			
Taxes	85,380	171,300	256,680
Accrued interest and other	510	262	772
Due from other units of government	440,972	249,245	690,217
Prepaid items	1,707	-	1,707
Property held for sale	20,464	-	20,464
Capital assets not being depreciated	197,697	-	197,697
Capital assets, net of accumulated depreciation	65,017	529,582	594,599
Total assets	<u>2,681,057</u>	<u>1,848,454</u>	<u>4,529,511</u>
<b>Liabilities</b>			
Accounts payable	15,342	67,354	82,696
<b>Deferred inflows of resources</b>			
Property taxes	526,352	420,545	946,897
<b>Net position</b>			
Net investment in capital assets	262,714	529,582	792,296
Unrestricted	1,876,649	830,973	2,707,622
Total net position	<u>\$ 2,139,363</u>	<u>\$ 1,360,555</u>	<u>\$ 3,499,918</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, 2022**

	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Operating Grants and Contributions	East	West	Total
			Downtown Development Authority	Downtown Development Authority	
<b>Component units</b>					
East Downtown Development Authority	\$ 266,445	\$ 62,229	\$ (204,216)	\$ -	\$ (204,216)
West Downtown Development Authority	525,081	321	-	(524,760)	(524,760)
Total component units	<u>\$ 791,526</u>	<u>\$ 62,550</u>	<u>(204,216)</u>	<u>(524,760)</u>	<u>(728,976)</u>
General revenues					
Property taxes			496,586	397,811	894,397
Interest income			6,538	7,591	14,129
Miscellaneous			14,820	-	14,820
Total general revenues			<u>517,944</u>	<u>405,402</u>	<u>923,346</u>
Change in net position			313,728	(119,358)	194,370
Net position - beginning of year			1,825,635	1,479,913	3,305,548
Net position - end of year			<u>\$ 2,139,363</u>	<u>\$ 1,360,555</u>	<u>\$ 3,499,918</u>

See Accompanying Notes to the Financial Statements

# Charter Township of Union

## Notes to the Financial Statements

### December 31, 2022

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#### 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.

##### Joint venture

The Mid-Michigan Aquatic Recreational Authority (the "Authority") is a joint venture between the Township, the City of Mt. Pleasant and the Mt. Pleasant Public School District. The governing Board is comprised of five to seven members consisting of two members appointed by each the Township and the City of Mt. Pleasant and one member appointed by the Mt. Pleasant Public School District. The Authority Board may also appoint two additional at large members. The provisions of the agreement do not explicitly state equity interest. In the event the Township withdraws from the Authority the Township is liable for a proportion of the debts and liabilities of the Authority incurred while the Township was a part of the Authority. There has been no financial activity for the Authority as of December 31, 2022.

##### 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

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2022**

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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.

**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 Township 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 American Rescue Plan Act Fund is a special revenue fund that accounts for funding received for pandemic relief and the related expenditures.

The Township 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 Township 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.

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2022**

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

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

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

**Assets, liabilities, and net position or equity**

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

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds

that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The Township considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Although the Township's 2022 tax is levied and collectible on December 1, 2022, 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 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The 2021 taxable valuation of the Township totaled \$380,602,235, on which ad valorem taxes consisted of 1.000 mills for operating purposes and 2.250 mills for fire services. This resulted in \$381,014 for operating expenses and \$857,294 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. The Township has incurred and reported eligible expenses, reducing the reserve for future operations and maintenance to zero. The balance for the bond reserve has been classified as restricted cash.

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2022**

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

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

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

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

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 are 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.

Deferred inflow for leases is related to leases receivable and is being amortized to recognize lease revenue in a systematic and rational manner over the term of the lease. 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 at December 31.

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2022**

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Fund Balance – 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. 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.

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. 99, 2022 Omnibus enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**Upcoming Accounting and Reporting Changes**

The Governmental Accounting Standards Board has released the following Statements.

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.

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending December 31, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending December 31, 2025.

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.

**Excess of expenditures over appropriations**

Function	Final Budget	Amount of Expenditures	Budget Variances
American Rescue Plan Act Fund			
Public works	\$ 250,000	\$ 306,048	\$ 56,048
Capital outlay	142,350	142,421	71

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2022**

**State Construction Code Act**

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

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

Shortfall at January 1, 2022	\$	(1,387,558)
Current year building permit revenue		184,443
Related expenditures		<u>(543,711)</u>
Cumulative shortfall at December 31, 2022	\$	<u><u>(1,746,826)</u></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	\$ 9,797,125	\$ -	\$ 9,797,125
Business-type activities	<u>6,767,279</u>	<u>230,000</u>	<u>6,997,279</u>
Total primary government	16,564,404	230,000	16,794,404
Fiduciary funds	2,784,465	-	2,784,465
Component unit	<u>2,767,375</u>	<u>-</u>	<u>2,767,375</u>
Total	<u><u>\$ 22,116,244</u></u>	<u><u>\$ 230,000</u></u>	<u><u>\$ 22,346,244</u></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)	\$ 16,793,904	\$ 2,784,465	\$ 2,767,375	\$ 22,345,744
Petty cash and cash on hand	<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>
	<u><u>\$ 16,794,404</u></u>	<u><u>\$ 2,784,465</u></u>	<u><u>\$ 2,767,375</u></u>	<u><u>\$ 22,346,244</u></u>

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

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

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2022**

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

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

*Custodial credit risk – deposits* – In the case of deposits, this is the risk that in the event of bank failure, the government’s deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$22,699,822 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
<b>Primary government</b>		
Special assessments	\$ 87,418	Public Improvement Fund

**Note 5 - Leases Receivable**

The Township has two significant agreements leasing Township water tower space for use by cell phone service providers. It is the Township’s intent to exercise all renewals available in both agreements. The Township recognized \$49,670 in lease revenue and \$6,565 in related interest income for the year ended December 31, 2022.

The first lease commenced in November 1998 and, according to the most recent amendment, will automatically renew in 5 years terms through November 2033 unless the lessee notifies the lessor in writing of the lessee’s intention not to extend the agreement at least 60 days prior to the expiration of any term. Payments increase by 2.75% each year. Beginning the next extension term, payments are subject to increase based on the Consumer Price Index, but limited to no more

than a 3% increase in the next extension term and 3.25% in the following extension term. Future monthly payments range from \$3,121 to \$4,094 with an imputed interest rate of 1.30%.

The second lease commenced in July 2002 and will automatically renew in 5 years terms through June 2027 unless the lessee notifies the lessor in writing of the lessee’s intention not to extend the agreement at least 6 months prior to the expiration of any term. Payments increase by 15% each term. Future monthly payments will be \$1,749 with an imputed interest rate of 1.30%.

**Note 6 - 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
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 160,650	\$ -	\$ -	\$ 160,650
Construction in progress	256,494	168,570	256,494	168,570
Total capital assets not being depreciated	<u>417,144</u>	<u>168,570</u>	<u>256,494</u>	<u>329,220</u>
Capital assets being depreciated				
Land improvements	349,809	-	-	349,809
Buildings, additions and improvements	1,118,025	443,880	-	1,561,905
Machinery and equipment	287,402	-	-	287,402
Vehicles	538,297	-	-	538,297
Total capital assets being depreciated	<u>2,293,533</u>	<u>443,880</u>	<u>-</u>	<u>2,737,413</u>
Less accumulated depreciation for				
Land improvements	316,584	7,488	-	324,072
Buildings, additions and improvements	498,722	35,085	-	533,807
Machinery and equipment	246,323	5,453	-	251,776
Vehicles	113,604	29,029	-	142,633
Total accumulated depreciation	<u>1,175,233</u>	<u>77,055</u>	<u>-</u>	<u>1,252,288</u>
Net capital assets being depreciated	<u>1,118,300</u>	<u>366,825</u>	<u>-</u>	<u>1,485,125</u>
Governmental activities capital assets, net	<u>\$ 1,535,444</u>	<u>\$ 535,395</u>	<u>\$ 256,494</u>	<u>\$ 1,814,345</u>

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2022**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 275,780	\$ -	\$ -	\$ 275,780
Construction in progress	341,394	69,119	253,212	157,301
<b>Total capital assets not being depreciated</b>	<b>617,174</b>	<b>69,119</b>	<b>253,212</b>	<b>433,081</b>
Capital assets being depreciated				
Land improvements	41,964	-	-	41,964
Buildings, additions and improvements	389,275	214,526	-	603,801
Machinery and equipment	2,071,294	203,638	-	2,274,932
Vehicles	435,023	478,210	22,934	890,299
Water system	13,941,801	-	-	13,941,801
Sewer system	14,952,006	622,685	-	15,574,691
Wastewater treatment plant	12,567,029	-	-	12,567,029
<b>Total capital assets being depreciated</b>	<b>44,398,392</b>	<b>1,519,059</b>	<b>22,934</b>	<b>45,894,517</b>
Less accumulated depreciation for				
Land improvements	34,708	1,209	-	35,917
Buildings, additions and improvements	152,524	12,354	-	164,878
Machinery and equipment	1,349,808	137,850	-	1,487,658
Vehicles	292,438	30,924	22,934	300,428
Water system	5,888,884	329,982	-	6,218,866
Sewer system	8,489,152	380,952	-	8,870,104
Wastewater treatment plant	4,209,586	272,414	-	4,482,000
<b>Total accumulated depreciation</b>	<b>20,417,100</b>	<b>1,165,685</b>	<b>22,934</b>	<b>21,559,851</b>
<b>Net capital assets being depreciated</b>	<b>23,981,292</b>	<b>353,374</b>	<b>-</b>	<b>24,334,666</b>
<b>Business-type capital assets, net</b>	<b>\$ 24,598,466</b>	<b>\$ 422,493</b>	<b>\$ 253,212</b>	<b>\$ 24,767,747</b>

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Component Units</b>				
East Downtown Development Authority				
Capital assets not being depreciated				
Land	\$ 197,697	\$ -	\$ -	\$ 197,697
Capital assets being depreciated				
Land improvements	240,328	-	-	240,328
Less accumulated depreciation for				
Land improvements	163,295	12,016	-	175,311
<b>Net capital assets being depreciated</b>	<b>77,033</b>	<b>(12,016)</b>	<b>-</b>	<b>65,017</b>
<b>East Downtown Development Authority capital assets, net</b>	<b>\$ 274,730</b>	<b>\$ (12,016)</b>	<b>\$ -</b>	<b>\$ 262,714</b>
West Downtown Development Authority				
Capital assets being depreciated				
Land improvements	\$ 15,473	\$ 524,940	\$ -	\$ 540,413
Less accumulated depreciation for				
Land improvements	10,057	774	-	10,831
<b>West Downtown Development Authority capital assets, net</b>	<b>\$ 5,416</b>	<b>\$ 524,166</b>	<b>\$ -</b>	<b>\$ 529,582</b>
<b>Total component units</b>	<b>\$ 280,146</b>	<b>\$ 512,150</b>	<b>\$ -</b>	<b>\$ 792,296</b>

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2022**

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

<b>Governmental activities</b>	
General government	\$ 45,081
Public safety	24,330
Recreation and culture	7,644
	<u>77,055</u>
<b>Business-type activities</b>	
Sewer	755,733
Water	409,952
	<u>1,165,685</u>
Total primary government	<u>\$ 1,242,740</u>

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

East Downtown Development Authority	\$ 12,016
West Downtown Development Authority	774
	<u>12,790</u>

**Construction Commitments**

Construction commitments will be funded through a combination of grants, long-term debt, and future revenues. Construction commitments are as follows:

Project	Total Project	Amount Spent	Remaining Balance
<b>General Fund</b>			
Township Hall feasibility study	\$ 26,078	\$ 4,800	\$ 21,278
Improvements to 5243 Jonathon Lane	40,500	21,349	19,151
Outdoor fitness court project	214,850	142,420	72,430
	<u>281,428</u>	<u>168,569</u>	<u>112,859</u>
<b>East DDA Fund</b>			
Property purchase for development	300,000	220,605	79,395
<b>Sewer Fund</b>			
Pump station #1 replacement	1,004,100	81,950	922,150
Pump station #2 upgrades/rehabilitation	225,000	2,328	222,672
	<u>1,229,100</u>	<u>84,278</u>	<u>1,144,822</u>
<b>Water Fund</b>			
River Road Control Building - pump installation	275,000	66,241	208,759
	<u>\$ 2,085,528</u>	<u>\$ 539,693</u>	<u>\$ 1,545,835</u>

**Note 7 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Sewer Fund	\$ 53
General Fund	Water Fund	71
Sewer Fund	Water Fund	56
		<u>\$ 180</u>

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

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2022**

The Tribal 2% Fund transferred \$170,000 to the American Rescue Plan Act Fund for the cost of road projects.

**Note 8 - Long-Term Debt**

The Township 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 compensated absences. Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Compensated absences	\$ 20,562	\$ 38,078	\$ 36,168	\$ 22,472	\$ 22,472
<b>Business-type activities</b>					
Bonds payable					
General obligation bonds					
2010 Water Revenue Bonds	\$ 1,180,000	\$ -	\$ 110,000	\$ 1,070,000	\$ 115,000
2011 Sanitary Sewer System (Phase I)	940,000	-	19,000	921,000	20,000
2011 Sanitary Sewer System (Phase II)	4,112,651	-	84,000	4,028,651	86,000
	6,232,651	-	213,000	6,019,651	221,000
Less deferred amounts for issuance discounts	(12,630)	-	(1,579)	(11,051)	-
Total bonds payable	6,220,021	-	211,421	6,008,600	221,000
Other liabilities					
Compensated absences	116,410	118,202	118,792	115,820	115,820
Total business-type activities	\$ 6,336,431	\$ 118,202	\$ 330,213	\$ 6,124,420	\$ 336,820

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

\$2,105,000 General Obligation Water Revenue Bonds Series 2010 dated July 21, 2010, due in annual installments ranging from \$115,000 to \$155,000 through October 1, 2030, with an interest rate ranging from 3.75 to 4.40 percent, payable semi-annually. \$ 1,070,000

\$1,100,000 Sewer System Revenue Bonds dated November 1, 2011, due in annual installments ranging from \$20,000 to \$47,000 through May 1, 2051, with an interest rate of 3.25 percent, payable semi-annually. 921,000

\$1,424,5110 Sewer System Revenue Bonds dated July 17, 2013, due in annual installments ranging from \$86,000 to \$189,000 through July 1, 2053, with an interest rate of 2.75 percent, payable semi-annually. 4,028,651

\$ 6,019,651

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

Year Ending December 31,	Bonds	
	Principal	Interest
2023	\$ 221,000	\$ 184,532
2024	228,000	177,211
2025	237,000	169,521
2026	245,000	161,337
2027	253,000	152,865
2028 - 2032	1,088,000	627,816
2033 - 2037	741,000	491,632
2038 - 2042	852,000	379,894
2043 - 2047	979,000	251,470
2048 - 2052	1,075,000	103,714
2053	100,651	2,768
	<u>\$ 6,019,651</u>	<u>\$ 2,702,760</u>

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2022**

**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 \$22,472 for governmental activities. Resources from the general fund will be used to liquidate this liability. The business-type activities reported a liability of \$115,820. Resources from the sewer and water funds will be used to liquidate this liability.

**Note 9 - Net Investment in Capital Assets**

The composition of net investment in capital assets as of December 31, 2022 was as follows:

	Governmental Activities	Business-type Activities	Component Unit
Capital assets			
Capital assets not being depreciated	\$ 329,220	\$ 433,081	\$ 197,697
Capital assets, net of accumulated depreciation	<u>1,485,125</u>	<u>24,334,666</u>	<u>594,599</u>
Total capital assets	<u>1,814,345</u>	<u>24,767,747</u>	<u>792,296</u>
Related debt			
General obligation bonds	-	6,019,651	-
Unamortized bond discounts	<u>-</u>	<u>(11,051)</u>	<u>-</u>
Total related debt	<u>-</u>	<u>6,008,600</u>	<u>-</u>
Net investment in capital assets	<u>\$ 1,814,345</u>	<u>\$ 18,759,147</u>	<u>\$ 792,296</u>

**Note 10 - 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 11 - 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, 2022, the Township's total payroll was \$1,679,334. Employee contributions totaled \$38,360 and employer contributions totaled \$137,839 for the year ended December 31, 2022.

**Note 12 - 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

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2022**

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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 13 - Contractual Commitments**

The Township has contracted with the City of Mount Pleasant for fire protection. The contract currently runs through 2023. The Township's future anticipated operating revenues are expected to be sufficient to cover this commitment. The remaining contractual commitment through the year ending December 31, 2023 is \$830,100.

**Note 14 - Related Party Transactions**

A board member of the Economic Development Authority owns a construction company that performed services for the Township. Payments to the company from the Township totaled \$869,105 for the fiscal year ending December 31, 2022.

**Note 15 - Change in Accounting Principle**

As indicated in Note 1, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This statement enhances the relevance and consistency of information of the Township's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. The financial statements include a prior period adjustment for the lease receivable. This adjustment had no effect on the beginning fund balance of the General Fund or beginning net position of the governmental activities since the deferred inflows equal the amount of the lease receivable. Leases receivable and the related deferred inflows of resources of \$557,129 were recorded as of January 1, 2022.

**Charter Township of Union**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
<b>Revenues</b>				
Taxes				
Property taxes	\$ 309,250	\$ 309,250	\$ 308,663	\$ (587)
Other taxes	5,600	5,600	5,237	(363)
Penalties and interest	4,600	6,800	6,376	(424)
Administration fee	156,900	156,900	165,758	8,858
Licenses and permits	73,000	88,000	89,420	1,420
State revenue sharing	1,199,700	1,372,600	1,361,761	(10,839)
State grants	2,500	4,500	4,561	61
Local contributions	10,000	640,104	640,098	(6)
Charges for services	207,300	207,300	211,066	3,766
Fines and forfeitures	800	4,000	3,860	(140)
Interest income	10,500	24,000	28,154	4,154
Rental income	8,900	8,900	5,239	(3,661)
Other revenue	23,500	33,550	33,755	205
Sale of capital assets	13,000	-	-	-
Total revenues	2,025,550	2,861,504	2,863,948	2,444

**Charter Township of Union**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Expenditures</b>				
General government				
Township board	\$ 67,262	\$ 68,762	\$ 59,465	\$ (9,297)
Supervisor	10,492	10,492	8,219	(2,273)
Manager	108,949	109,449	108,678	(771)
Accounting	250,346	251,046	233,039	(18,007)
Clerk	42,240	42,240	36,768	(5,472)
Data processing	70,669	64,669	41,100	(23,569)
Treasurer	34,978	34,978	26,266	(8,712)
Assessor	120,304	120,804	106,552	(14,252)
Elections	49,658	58,038	41,027	(17,011)
Buildings and grounds	80,945	83,395	80,055	(3,340)
Attorney	100,000	100,000	61,997	(38,003)
Total general government	935,843	943,873	803,166	(140,707)
Public safety				
Building inspection department	311,131	312,431	277,878	(34,553)

**Charter Township of Union**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public works				
Department of public works	\$ 630,000	\$ 1,269,000	\$ 857,933	\$ (411,067)
Community and economic development				
Planning	308,404	286,904	265,833	(21,071)
Recreation and culture				
Parks and recreation	123,750	128,750	97,240	(31,510)
Capital outlay	343,775	378,825	250,539	(128,286)
Total expenditures	2,652,903	3,319,783	2,552,589	(767,194)
Excess (deficiency) of revenues over expenditures	(627,353)	(458,279)	311,359	769,638
Fund balance - beginning of year	5,832,834	5,832,834	5,832,834	-
Fund balance - end of year	<u>\$ 5,205,481</u>	<u>\$ 5,374,555</u>	<u>\$ 6,144,193</u>	<u>\$ 769,638</u>

**Charter Township of Union**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Fire Fund**  
**For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 698,600	\$ 698,600	\$ 698,596	\$ (4)
Other state grants	17,000	22,200	20,756	(1,444)
Charges for services	140,200	140,200	141,430	1,230
Interest income	3,000	3,000	2,843	(157)
Total revenues	858,800	864,000	863,625	(375)
<b>Expenditures</b>				
Current				
Public safety	848,050	848,050	815,383	(32,667)
Excess of revenues over expenditures	10,750	15,950	48,242	32,292
Fund balance - beginning of year	960,332	960,332	960,332	-
Fund balance - end of year	<u>\$ 971,082</u>	<u>\$ 976,282</u>	<u>\$ 1,008,574</u>	<u>\$ 32,292</u>

**Charter Township of Union  
Required Supplementary Information  
Budgetary Comparison Schedule  
American Rescue Plan Act Fund  
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Federal grants	\$ -	\$ 172,350	\$ 228,469	\$ 56,119
Local contributions	-	50,000	50,000	-
Interest income	-	5,300	6,857	1,557
Transfers in	-	170,000	170,000	-
Total revenues	-	397,650	455,326	57,676
<b>Expenditures</b>				
Current				
Public works	-	250,000	306,048	56,048
Capital outlay	-	142,350	142,421	71
Total expenditures	-	392,350	448,469	56,119
Excess of revenues over expenditures		5,300	6,857	1,557
Fund balance - beginning of year	156	156	156	-
Fund balance - end of year	\$ 156	\$ 5,456	\$ 7,013	\$ 1,557

**Charter Township of Union  
Other Supplementary Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2022**

	Special Revenue Fund <u>Tribal 2%</u>	Capital Projects Fund Public Improvement	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 157,809	\$ 282,292	\$ 440,101
Receivables			
Special assessments	-	103,557	103,557
Total assets	<u>\$ 157,809</u>	<u>\$ 385,849</u>	<u>\$ 543,658</u>
<b>Deferred inflows of resources</b>			
Special assessments	<u>\$ -</u>	<u>\$ 103,557</u>	<u>\$ 103,557</u>
<b>Fund Balances</b>			
Restricted			
Tribal grants	157,809	-	157,809
Capital projects	-	282,292	282,292
Total fund balances	<u>157,809</u>	<u>282,292</u>	<u>440,101</u>
Total deferred inflows of resources and fund balances	<u>\$ 157,809</u>	<u>\$ 385,849</u>	<u>\$ 543,658</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, 2022**

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Tribal 2%	Public Improvement	
<b>Revenues</b>			
Local contributions	\$ 424,875	\$ -	\$ 424,875
Interest income	700	1,060	1,760
Other revenue	-	74,951	74,951
	<u>425,575</u>	<u>76,011</u>	<u>501,586</u>
<b>Expenditures</b>			
Current			
Public works	179,503	-	179,503
Capital outlay	-	63,358	63,358
	<u>179,503</u>	<u>63,358</u>	<u>242,861</u>
Excess of revenues over expenditures	246,072	12,653	258,725
<b>Other financing uses</b>			
Transfers out	(170,000)	-	(170,000)
Net change in fund balance	76,072	12,653	88,725
Fund balance - beginning of year	81,737	269,639	351,376
Fund balance - end of year	<u>\$ 157,809</u>	<u>\$ 282,292</u>	<u>\$ 440,101</u>

**Charter Township of Union**  
**Component Unit - East Downtown Development Authority**  
**Balance Sheet**  
**December 31, 2022**

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**Assets**

Cash and cash equivalents	\$ 1,869,310
Receivables	
Taxes	85,380
Accrued interest and other	510
Due from other units of government	440,972
Prepaid items	1,707
Property held for sale	20,464

Total assets	\$ 2,418,343
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**Liabilities**

Accounts payable	\$ 15,342
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**Deferred inflows of resources**

Property taxes	526,352
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**Fund Balances**

Non-spendable	
Prepaid items	1,707
Property held for sale	20,464
Unassigned	1,854,478

Total fund balances	1,876,649
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Total liabilities, deferred inflows of resources and fund balances	\$ 2,418,343
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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, 2022**

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<b>Total fund balance for component unit fund</b>	\$ 1,876,649
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.	65,017
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>197,697</u>
<b>Net position of component unit</b>	<u><u>\$ 2,139,363</u></u>

**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, 2022**

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**Revenues**

Taxes	\$	496,586
Other state grants		62,229
Interest income		6,538
Other revenue		14,820
		14,820
Total revenues		580,173

**Expenditures**

Current		
Public safety		78,175
Community and economic development		160,215
Capital outlay		16,039
		16,039
Total expenditures		254,429
Net change in fund balance		325,744
Fund balance - beginning of year		1,550,905
Fund balance - end of year	\$	1,876,649

**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, 2022**

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<b>Net change in fund balances - total component unit fund</b>	\$ 325,744
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>(12,016)</u>
<b>Change in net position of component unit</b>	<u><u>\$ 313,728</u></u>

**Charter Township of Union**  
**Component Unit - West Downtown Development Authority**  
**Balance Sheet**  
**December 31, 2022**

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**Assets**

Cash and cash equivalents	\$ 898,065
Receivables	
Taxes	171,300
Accrued interest and other	262
Due from other units of government	<u>249,245</u>
 Total assets	 <u><u>\$ 1,318,872</u></u>

**Liabilities**

Accounts payable	\$ 67,354
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**Deferred inflows of resources**

Property taxes	420,545
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**Fund Balance**

Unassigned	<u>830,973</u>
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Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 1,318,872</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, 2022**

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**Total fund balance for component unit fund** \$ 830,973

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.

529,582

**Net position of component unit**

\$ 1,360,555

**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, 2022**

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**Revenues**

Taxes	\$ 397,811
Interest income	<u>7,591</u>
Total revenues	<u>405,723</u>

**Expenditures**

Current	
Public safety	63,255
Community and economic development	<u>985,992</u>
Total expenditures	<u>1,049,247</u>
Net change in fund balance	(643,524)
Fund balance - beginning of year	<u>1,474,497</u>
Fund balance - end of year	<u><u>\$ 830,973</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, 2022**

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**Net change in fund balances - total component unit fund** \$ (643,524)

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)
Capital outlay	<u>524,940</u>

**Change in net position of component unit** \$ (119,358)

## 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, 2022, 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 27, 2023.

#### Report on 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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

## Report on 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 financial statements. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2022-001.

## Charter Township of Union's Response to Findings and Corrective Action Plan

*Government Auditing Standards* requires the auditor to perform limited procedures on Charter Township of Union's response to the finding identified in our audit and described in the accompanying schedule of findings and responses and corrective action plan. Charter Township of Union's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## 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 27, 2023

**Charter Township of Union  
Schedule of Findings and Responses  
December 31, 2022**

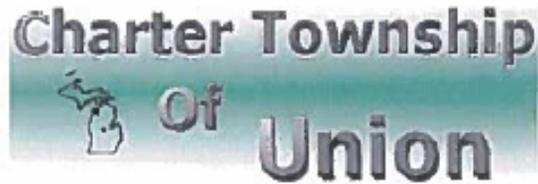
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**Finding 2022-001 Material Weakness and Noncompliance – Expenditures Not Within Authorized Budget Amounts**

- Criteria:** The Uniform Budgeting and Accounting Act of the State of Michigan requires the legislative body of the local unit to amend the general appropriations act as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined. An amendment shall indicate each intended alteration in the purpose of each appropriation item affected by the amendment.
- Condition:** Expenditures in the American Rescue Plan Act Fund were not within authorized budget amounts. Total budgeted expenditures were \$392,350 while actual expenditures were \$448,469 resulting in \$56,119 total over expenditures.
- Cause and Effect:** The final amendment to the budget did not account for all potential activities that were required to be recorded in the current fiscal year, causing the overage.
- Recommendation:** We recommend that expenditures be closely monitored to ensure that they do not exceed the appropriations as specified in the adopted budget for the year, considering all potential outstanding accruals to reflect large increases in expenditures.
- Views of Responsible Officials:** Management agrees with the finding.
- Corrective Action Plan:** See attached corrective action plan from management.

**Charter Township of Union**  
**Corrective Action Plan**  
**December 31, 2022**

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Sherrie Teall, Finance Director  
2010 South Lincoln  
Mt. Pleasant MI. 48858  
Phone 989-772-4600  
Fax 989-773-1988

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**Audit Corrective Action Plan 12-31-2022**

**Auditing Finding:** 2022-001

**Contact Person Responsible for Corrective Action:** Sherrie Teall, Finance Director

**Anticipated Completion Date:** 12-31-2023

**Corrective Action Planned:**

Management agrees with the finding. In the future, we need to make sure sharing of Tribal 2% Grant funding received by the Township is taken into account when amending the budgets. Going forward, management will keep a close eye on Tribal 2% Funding possibilities during the budget process.

The Finance Department will implement a budget amendment request form that will help expedite and clarify the budget amendments needed in the different funds and departments within the funds.

Sincerely,

A handwritten signature in blue ink that reads "Sherrie Teall".

Sherrie Teall  
Finance Director