

Charter Township of Union

Financial Statements

December 31, 2022



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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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**

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**

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**

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 |
| Assets | | | | | | |
| 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> |
| Liabilities | | | | | | |
| 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> |
| Deferred inflows of resources | | | | | | |
| 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> |
| Net position | | | | | | |
| 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**

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 |
| Revenues | | | | | | |
| 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> |
| Expenses | | | | | | |
| 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**

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**

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**

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 |
| | <u>\$ 22,472</u> | <u>\$ 20,562</u> | <u>\$ 6,124,420</u> | <u>\$ 6,336,431</u> | <u>\$ 6,146,892</u> | <u>\$ 6,356,993</u> |

CURRENT ECONOMIC EVENTS

The Township's budget for the next fiscal year is balanced with no property tax rate increase for general operations; the millage for fire protection services is 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**

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**

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.

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

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|---------------|--------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| 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 | |
| Liabilities | | | | |
| 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 |
| Deferred inflows of resources | | | | |
| 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 |
| Net position | | | | |
| 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 | | | |
| | | | | | Governmental Activities | Business-type Activities | Total | |
| Primary government | | | | | | | | |
| 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) | - |
| Total governmental activities | <u>3,782,311</u> | <u>577,136</u> | <u>303,786</u> | <u>1,064,973</u> | <u>(1,836,416)</u> | <u>-</u> | <u>(1,836,416)</u> | <u>-</u> |
| 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) | - |
| Total business-type activities | <u>4,275,987</u> | <u>4,508,365</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>232,378</u> | <u>232,378</u> | <u>-</u> |
| Total primary government | <u>\$ 8,058,298</u> | <u>\$ 5,085,501</u> | <u>\$ 303,786</u> | <u>\$ 1,064,973</u> | <u>(1,836,416)</u> | <u>232,378</u> | <u>(1,604,038)</u> | <u>-</u> |
| Component units | | | | | | | | |
| East Downtown Development Authority | \$ 266,445 | \$ - | \$ 62,229 | \$ - | | | | (204,216) |
| West Downtown Development Authority | 525,081 | - | 321 | - | | | | (524,760) |
| Total component units | <u>\$ 791,526</u> | <u>\$ -</u> | <u>\$ 62,550</u> | <u>\$ -</u> | | | | <u>(728,976)</u> |
| 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 |
| Total general revenues | | | | | <u>2,600,375</u> | <u>50,354</u> | <u>2,650,729</u> | <u>923,346</u> |
| 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 |
| Net position - end of year | | | | | <u>\$ 9,495,311</u> | <u>\$ 26,565,182</u> | <u>\$ 36,060,493</u> | <u>\$ 3,499,918</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 | | |
| Assets | | | | | |
| 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 | \$ 7,368,150 | \$ 1,753,237 | \$ 1,524,412 | \$ 543,658 | \$ 11,189,457 |
| Liabilities | | | | | |
| 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 | 772,361 | - | 1,517,399 | - | 2,289,760 |

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 | | |
| Deferred inflows of resources | | | | | |
| 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 |
| Fund Balances | | | | | |
| 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

| | |
|---|----------------------------|
| Total fund balances for governmental funds | \$ 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> |
| Net position of governmental activities | <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 | | |
| Revenues | | | | | |
| 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> |
| Expenditures | | | | | |
| 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 |
| Other financing sources (uses) | | | | | |
| 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

| | |
|--|--------------------------|
| Net change in fund balances - Total governmental funds | \$ 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> |
| Change in net position of governmental activities | <u><u>\$ 763,959</u></u> |

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

| | Enterprise Funds | | |
|---|-------------------|-------------------|-------------------|
| | Sewer | Water | Total |
| Assets | | | |
| 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 |
| Total current assets | 3,838,485 | 4,088,251 | 7,926,736 |
| 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 |
| Total noncurrent assets | 16,430,332 | 9,041,204 | 25,471,536 |
| Total assets | 20,268,817 | 13,129,455 | 33,398,272 |

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 |
| Liabilities | | | |
| 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 |
| Deferred inflows of resources | | | |
| Deferred amount relating to leases receivable | - | 525,872 | 525,872 |
| Net position | | | |
| 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 |
| Operating revenue | | | |
| 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 | 2,791,752 | 1,733,013 | 4,524,765 |
| Operating expenses | | | |
| 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 | 2,351,094 | 1,748,688 | 4,099,782 |
| Operating income (loss) | 440,658 | (15,675) | 424,983 |
| Nonoperating revenue (expenses) | | | |
| 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) | (118,027) | (24,224) | (142,251) |
| Change in net position | 322,631 | (39,899) | 282,732 |
| Net position - beginning of year | 14,841,061 | 11,441,389 | 26,282,450 |
| Net position - end of year | \$ 15,163,692 | \$ 11,401,490 | \$ 26,565,182 |

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 |
| Cash flows from operating activities | | | |
| 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 | 1,012,639 | 171,968 | 1,184,607 |
| Cash flows from capital and related financing activities | | | |
| 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 | (1,368,437) | (345,978) | (1,714,415) |
| Cash flows from investing activities | | | |
| Interest received | 14,607 | 15,453 | 30,060 |
| Net change in cash and cash equivalents | (341,191) | (158,557) | (499,748) |
| Cash and cash equivalents - beginning of year | 3,695,061 | 3,801,966 | 7,497,027 |
| Cash and cash equivalents - end of year | \$ 3,353,870 | \$ 3,643,409 | \$ 6,997,279 |

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 |
| Statement of Net Position classification | | | |
| 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> |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | | |
| 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

| | <u>Custodial Fund</u> |
|---|-----------------------------------|
| | <u>Current Tax Collection</u> |
| Assets | |
| Cash and cash equivalents | \$ 2,784,465 |
| Due from other units of government | <u>22,939</u> |
| Total assets | <u>2,807,404</u> |
| Liabilities | |
| Due to other units of government | <u>2,807,404</u> |
| Net Position | |
| Restricted for: | |
| Individuals, organizations, and other governments | <u><u>\$ -</u></u> |

Charter Township of Union
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2022

| | Custodial Fund |
|--|---------------------------|
| | Current Tax Collection |
| Additions | |
| Property tax collections for other governments | \$ 14,099,497 |
| Deductions | |
| 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 |
|---|--|--|---------------------|
| Assets | | | |
| 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> |
| Liabilities | | | |
| Accounts payable | 15,342 | 67,354 | 82,696 |
| Deferred inflows of resources | | | |
| Property taxes | 526,352 | 420,545 | 946,897 |
| Net position | | | |
| 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 | |
| Component units | | | | | |
| 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

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

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

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

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

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

Assets, liabilities, and net position or equity

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

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

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

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The Township considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Although the Township's 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 1st 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

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

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

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 |
|---------------------------|-----------------------|-------------------------|
| Primary government | | |
| 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 |
|---|----------------------|-------------------|-------------------|---------------------|
| Governmental activities | | | | |
| 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 | 417,144 | 168,570 | 256,494 | 329,220 |
| 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 | 2,293,533 | 443,880 | - | 2,737,413 |
| 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 | 1,175,233 | 77,055 | - | 1,252,288 |
| Net capital assets being depreciated | 1,118,300 | 366,825 | - | 1,485,125 |
| 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 |
|---|----------------------|-------------------|-------------------|----------------------|
| Business-type activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 275,780 | \$ - | \$ - | \$ 275,780 |
| Construction in progress | 341,394 | 69,119 | 253,212 | 157,301 |
| Total capital assets not being depreciated | 617,174 | 69,119 | 253,212 | 433,081 |
| 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 |
| Total capital assets being depreciated | 44,398,392 | 1,519,059 | 22,934 | 45,894,517 |
| 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 |
| Total accumulated depreciation | 20,417,100 | 1,165,685 | 22,934 | 21,559,851 |
| Net capital assets being depreciated | 23,981,292 | 353,374 | - | 24,334,666 |
| Business-type capital assets, net | \$ 24,598,466 | \$ 422,493 | \$ 253,212 | \$ 24,767,747 |

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------------|-------------|-------------------|
| Component Units | | | | |
| East Downtown Development Authority | | | | |
| Capital assets 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 |
| Net capital assets being depreciated | 77,033 | (12,016) | - | 65,017 |
| East Downtown Development Authority capital assets, net | \$ 274,730 | \$ (12,016) | \$ - | \$ 262,714 |
| 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 |
| West Downtown Development Authority capital assets, net | \$ 5,416 | \$ 524,166 | \$ - | \$ 529,582 |
| Total component units | \$ 280,146 | \$ 512,150 | \$ - | \$ 792,296 |

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

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

| | |
|---------------------------------|---------------------|
| Governmental activities | |
| General government | \$ 45,081 |
| Public safety | 24,330 |
| Recreation and culture | 7,644 |
| | <u>77,055</u> |
| | |
| Business-type activities | |
| 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 |
|---|---------------------|-------------------|---------------------|
| General Fund | | | |
| 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> |
| | | | |
| East DDA Fund | | | |
| Property purchase for development | 300,000 | 220,605 | 79,395 |
| | | | |
| Sewer Fund | | | |
| 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> |
| | | | |
| Water Fund | | | |
| 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 |
|---|----------------------|------------|------------|-------------------|------------------------|
| Governmental activities | | | | | |
| Compensated absences | \$ 20,562 | \$ 38,078 | \$ 36,168 | \$ 22,472 | \$ 22,472 |
| Business-type activities | | | | | |
| 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 | 1,485,125 | 24,334,666 | 594,599 |
| Total capital assets | 1,814,345 | 24,767,747 | 792,296 |
| Related debt | | | |
| General obligation bonds | - | 6,019,651 | - |
| Unamortized bond discounts | - | (11,051) | - |
| Total related debt | - | 6,008,600 | - |
| Net investment in capital assets | \$ 1,814,345 | \$ 18,759,147 | \$ 792,296 |

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

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 Over (Under) Final Budget |
|------------------------|------------------|---------------|---------------|---|
| | Original | Final | | |
| Revenues | | | | |
| 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 | | |
| Expenditures | | | | |
| 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 | | |
| Revenues | | | | |
| 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) |
| | | | | |
| Expenditures | | | | |
| 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 |
| Revenues | | | | |
| 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 |
| Expenditures | | | | |
| 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 |
|---|--|---|--|
| Assets | | | |
| 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> |
| Deferred inflows of resources | | | |
| Special assessments | <u>\$ -</u> | <u>\$ 103,557</u> | <u>\$ 103,557</u> |
| Fund Balances | | | |
| 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 | |
| Revenues | | | |
| Local contributions | \$ 424,875 | \$ - | \$ 424,875 |
| Interest income | 700 | 1,060 | 1,760 |
| Other revenue | - | 74,951 | 74,951 |
| Total revenues | 425,575 | 76,011 | 501,586 |
| Expenditures | | | |
| Current | | | |
| Public works | 179,503 | - | 179,503 |
| Capital outlay | - | 63,358 | 63,358 |
| Total expenditures | 179,503 | 63,358 | 242,861 |
| Excess of revenues over expenditures | 246,072 | 12,653 | 258,725 |
| Other financing uses | | | |
| 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 | \$ 157,809 | \$ 282,292 | \$ 440,101 |

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

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 | <u>20,464</u> |
| Total assets | <u><u>\$ 2,418,343</u></u> |

Liabilities

| | |
|------------------|------------------|
| Accounts payable | <u>\$ 15,342</u> |
|------------------|------------------|

Deferred inflows of resources

| | |
|----------------|----------------|
| Property taxes | <u>526,352</u> |
|----------------|----------------|

Fund Balances

| | |
|-------------------------|----------------------|
| Non-spendable | |
| Prepaid items | 1,707 |
| Property held for sale | 20,464 |
| Unassigned | <u>1,854,478</u> |
| Total fund balances | <u>1,876,649</u> |

| | |
|--|----------------------------|
| Total liabilities, deferred inflows of resources and fund balances | <u><u>\$ 2,418,343</u></u> |
|--|----------------------------|

**Charter Township of Union
East Downtown Development Authority
Reconciliation of Fund Balances of Component Unit
to Net Position of Component Unit
December 31, 2022**

| | |
|--|----------------------------|
| Total fund balance for component unit fund | \$ 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> |
| Net position of component unit | <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

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

| | |
|---|--------------------------|
| Net change in fund balances - total component unit fund | \$ 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> |
| Change in net position of component unit | <u><u>\$ 313,728</u></u> |

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

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 |
|------------------|-----------|

Deferred inflows of resources

| | |
|----------------|---------|
| Property taxes | 420,545 |
|----------------|---------|

Fund Balance

| | |
|------------|----------------|
| Unassigned | <u>830,973</u> |
|------------|----------------|

| | |
|---|----------------------------|
| Total liabilities, deferred inflows of resources and fund balance | <u><u>\$ 1,318,872</u></u> |
|---|----------------------------|

**Charter Township of Union
West Downtown Development Authority
Reconciliation of Fund Balances of Component Unit
to Net Position of Component Unit
December 31, 2022**

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

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**

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**

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



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

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