

Charter Township of Union

Financial Statements

December 31, 2014

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Charter Township of Union
List of Elected and Appointed Officials
December 31, 2014

Board of Trustees

Russ Alwood, Supervisor

Margie Henry, Clerk

Kim Rice, Treasurer

Roger Hauck, Trustee

Tim Lannen, Trustee

Bryan Mielke, Trustee

Phil Mikus, Trustee



7810 N. Alger Road
Alma, MI 48801
Phone (989) 463-6108
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Independent Auditors' Report

Management and Board of Trustees
Charter Township of Union

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Union, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Union, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters:

Required Supplementary Information

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

Other Supplementary Information

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

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

The list of elected and appointed officials, which is the responsibility of management, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2015 on our consideration of Charter Township of Union's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charter Township of Union's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Alma, MI
May 25, 2015

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2014**

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, 2014.

FINANCIAL HIGHLIGHTS

- The Township's combined total net position is \$27.6 million for the fiscal year ended December 31, 2014, compared to \$26.8 million last fiscal year.
- Total net position increased by \$0.8 million.
- In the Township's governmental activities, revenues generated \$2.6 million, while expenses were \$2.2 million.
- In the Township's business-type activities, revenues generated \$3.8 million, while expenses were \$3.3 million.
- The total cost of all the Township's programs, including governmental and business-type activities was \$5.6 million, up \$0.4 million from last fiscal year. Most of this increase was spent on road & street projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Financial Statements

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

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

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2014**

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 construction code enforcement fund, each of which are considered to be a "major" fund. Data from the 2 other governmental funds, the public improvement fund and the tribal grants fund, are combined into a single column labeled "non-major governmental funds".

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

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

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

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2014**

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 and non-major enterprise 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, 2014 and 2013:

The Township's total combined net position for the fiscal year ended December 31, 2014 is \$27.6 million, made up of \$22.3 million in business-type activities, and \$5.3 million in governmental activities.

Combined unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, is \$8.0 million. Business-type activities unrestricted total is \$5.5 million, while the unrestricted governmental activities net asset total is \$2.5 million.

A portion of the Township's net position (64%) 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, 2014**

Charter Township of Union Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Assets						
Current assets	\$ 5,275,486	\$ 5,143,726	\$ 6,202,075	\$ 7,431,731	\$ 11,477,561	\$ 12,575,457
Capital assets	1,080,462	996,689	26,936,801	22,558,991	28,017,263	23,555,680
Total assets	<u>6,355,948</u>	<u>6,140,415</u>	<u>33,138,876</u>	<u>29,990,722</u>	<u>39,494,824</u>	<u>36,131,137</u>
Deferred outflows of resources						
Deferred amount on refunding	-	-	271,225	309,971	271,225	309,971
Total assets and deferred outflows of resources	<u>6,355,948</u>	<u>6,140,415</u>	<u>33,410,101</u>	<u>30,300,693</u>	<u>39,766,049</u>	<u>36,441,108</u>
Liabilities						
Current liabilities	55,467	68,200	1,251,058	1,055,002	1,306,525	1,123,202
Long-term liabilities	21,428	24,620	9,876,095	7,421,833	9,897,523	7,446,453
Total liabilities	<u>76,895</u>	<u>92,820</u>	<u>11,127,153</u>	<u>8,476,835</u>	<u>11,204,048</u>	<u>8,569,655</u>
Deferred inflows of resources						
Property taxes	941,349	1,065,948	-	-	941,349	1,065,948
Total liabilities and deferred inflows of resources	<u>1,018,244</u>	<u>1,158,768</u>	<u>11,127,153</u>	<u>8,476,835</u>	<u>12,145,397</u>	<u>9,635,603</u>
Net position						
Net investment in capital assets	1,080,462	996,689	16,743,284	14,866,238	17,823,746	15,862,927
Restricted	1,770,089	1,287,088	-	-	1,770,089	1,287,088
Unrestricted	2,487,153	2,697,870	5,539,664	6,957,620	8,026,817	9,655,490
Total net position	<u>\$ 5,337,704</u>	<u>\$ 4,981,647</u>	<u>\$ 22,282,948</u>	<u>\$ 21,823,858</u>	<u>\$ 27,620,652</u>	<u>\$ 26,805,505</u>

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2014**

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, 2014 and 2013:

Governmental Activities

Net position for governmental activities increased by \$0.4 million during the year ended December 31, 2014, compared to a \$0.9 million increase last year.

The Township's total governmental revenue is \$2.6 million, a decrease of \$0.3 million from the prior year. The decrease is mainly due to fewer building and zoning permits in 2014.

Expenses totaled \$2.2 million, an increase of \$0.2 million over the prior year. The increase was mainly due to more spending on road maintenance in 2014.

Business-type Activities

Net position for business-type activities increased by \$0.5 million during 2014, compared to a \$1.8 million increase last year.

Total revenue decreased by \$1.2 million, mainly due to fewer water and sewer hook-up fees in 2014 caused by a decrease in new construction. In 2013 there were several large construction projects requiring water and sewer hookups.

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2014**

Charter Township of Union Change in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for services	\$ 401,381	\$ 531,538	\$ 3,747,700	\$ 4,931,413	\$ 4,149,081	\$ 5,462,951
Operating grants and contributions	-	231,245	-	22,894	-	254,139
Capital grants and contributions	118,934	-	-	-	118,934	-
General revenues						
Property taxes	991,154	1,124,093	-	-	991,154	1,124,093
State shared revenue	1,021,696	978,357	-	-	1,021,696	978,357
Unrestricted investment earnings	9,942	7,814	14,118	13,370	24,060	21,184
Miscellaneous	55,872	39,520	43,698	18,510	99,570	58,030
Total revenues	<u>2,598,979</u>	<u>2,912,567</u>	<u>3,805,516</u>	<u>4,986,187</u>	<u>6,404,495</u>	<u>7,898,754</u>
Expenses						
General government	710,612	793,394	-	-	710,612	793,394
Public safety	966,661	954,713	-	-	966,661	954,713
Public works	423,379	175,591	-	-	423,379	175,591
Community and economic development	25,635	16,195	-	-	25,635	16,195
Recreation and culture	116,635	95,321	-	-	116,635	95,321
Sewer	-	-	2,088,093	1,874,668	2,088,093	1,874,668
Water	-	-	1,258,333	1,261,600	1,258,333	1,261,600
Total expenses	<u>2,242,922</u>	<u>2,035,214</u>	<u>3,346,426</u>	<u>3,136,268</u>	<u>5,589,348</u>	<u>5,171,482</u>
Change in net position	356,057	877,353	459,090	1,849,919	815,147	2,727,272
Net position - beginning of year	4,981,647	4,104,294	21,823,858	19,973,939	26,805,505	24,078,233
Net position - end of year	<u>\$ 5,337,704</u>	<u>\$ 4,981,647</u>	<u>\$ 22,282,948</u>	<u>\$ 21,823,858</u>	<u>\$ 27,620,652</u>	<u>\$ 26,805,505</u>

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2014**

Charter Township of Union's Funds

Analysis of the Charter Township of Union's major funds begins on page 4-4, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant 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 millages and restricted receipts from Federal and State sources.

The General Fund is the chief operating fund of the Township and one of three governmental funds that is considered a major fund. It pays for most of the Township's governmental services. Its major components of revenue are property taxes and state shared revenue. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2.5 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 165% of total general fund expenditures including transfers to other funds. The fund balance of the General Fund increased by about \$109,000 during the current fiscal year due to General Fund departments exercising prudence in controlling expenditures. The fund balance of the Fire Fund increased by about \$63,000 during the current fiscal year, most of this increase is set aside for the future purchase of a new fire truck. The fund balance of the Construction Code Enforcement Fund decreased about \$144,000 due to a large decrease in building and zoning permits over the prior year.

The Water and Sewer Funds are the Township's two major Proprietary Funds. The net position of the Sewer Fund increased by about \$241,000 during the year, which was due to an increase in connection fees and user charges. The net position of the Water Fund increased by about \$218,000 during the year, which was due to an increase in connection fees and user charges.

General Fund Budgetary Highlights

The Township's General Fund budget is prepared in accordance with Michigan Law. At year-end, actual revenue was within 6.7% of budget, being somewhat over by \$101,402. This was partly due to additional State Revenue Sharing that was not expected initially. Actual expenditures were \$140,652 less than budget due to a new fiber optic project which was in process but not yet completed and additional savings realized during the year.

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2014**

CAPITAL ASSETS

At December 31, 2014 and 2013, the Township had the following capital assets:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Capital assets not being depreciated						
Land	\$ 160,650	\$ 160,650	\$ 275,780	\$ 275,780	\$ 436,430	\$ 436,430
Construction in progress	81,496	-	5,758,610	813,464	5,840,106	813,464
Capital assets being depreciated						
Land improvements	329,743	329,743	41,964	41,964	371,707	371,707
Building & improvements	944,865	917,853	209,685	209,685	1,154,550	1,127,538
Machinery and equipment	257,833	285,678	1,150,869	1,139,201	1,408,702	1,424,879
Vehicles	302,876	261,300	339,364	320,883	642,240	582,183
Water system	-	-	11,264,028	11,198,615	11,264,028	11,198,615
Sewer system	-	-	12,947,686	12,850,000	12,947,686	12,850,000
Wastewater treatment plant	-	-	8,455,202	8,455,202	8,455,202	8,455,202
Total capital assets	2,077,463	1,955,224	40,443,188	35,304,794	42,520,651	37,260,018
Less: accumulated depreciation	(997,001)	(958,535)	(13,506,387)	(12,745,803)	(14,503,388)	(13,704,338)
Capital assets, net	\$ 1,080,462	\$ 996,689	\$ 26,936,801	\$ 22,558,991	\$ 28,017,263	\$ 23,555,680

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2014**

LONG-TERM DEBT

At December 31, 2014 and 2013, the Township had the following long-term debt outstanding:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ -	\$ -	\$ 10,464,742	\$ 8,002,724	\$ 10,464,742	\$ 8,002,724
Compensated absences	21,428	24,620	50,353	36,109	71,781	60,729
	<u>\$ 21,428</u>	<u>\$ 24,620</u>	<u>\$ 10,515,095</u>	<u>\$ 8,038,833</u>	<u>\$ 10,536,523</u>	<u>\$ 8,063,453</u>

New debt of \$132,000 and \$2,943,367 was issued during the year for Phase I and Phase II, respectively of the Sanitary Sewer System project. At year-end this project was 95% complete and is expected to be completed in 2015. For the total primary government, \$617,316 of the debt was retired in 2014. Overall, the accrual for compensated absences increased by \$11,052 for the year.

CURRENT ECONOMIC EVENTS

The Township's budget for the next fiscal year is balanced with no property tax rate increase for general operations; there was no millage increase for fire protection services. Total expenditures in the General Fund for the next fiscal year are estimated to be \$1.53 million with no anticipated use of cash reserves. Included in those expenses are major street repairs payable to the Isabella County Road Commission, completion of the fiber optic network to connect major township operational sites, \$40,000 for the joint Township City Dog Park, as well as \$25,000 for phase 3 of the township hall renovations. The Township has budgeted in 2015 a total increase in General Fund revenues, with revenue sharing up 5.76% and property tax collections with a projected increase of 7.30%. The revenue sharing for the Township is up \$53,295 because of the City, Village and Township Revenue Sharing program. The Township is continuing to seek appropriate means of investment and growth of taxable values while reevaluating services provided and cost of those services. The Township continues to budget 5% less in revenue sharing than the figures that the State shows the Township should receive in 2015.

Reductions in existing taxable value partly due to commercial property appeals to the Michigan Tax Tribunal adjustments have been a major concern not only because of lower tax revenue but the increased expenditures required to fight these appeals. The Township has seen gains in new construction and new residential buildings that have offset the losses as a result of commercial property appeals.

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2014**

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 accounting office at 989-772-4600. Additional information can be obtained at the Township's website, www.uniontownshipmi.com.

Charter Township of Union
Statement of Net Position
December 31, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 4,202,254	\$ 4,812,078	\$ 9,014,332	\$ 2,287,493
Receivables				
Taxes	484,307	-	484,307	422,595
Customers	41,600	889,791	931,391	-
Special assessments	185,108	196,476	381,584	10,588
Due from other units of government	174,034	250,878	424,912	636,629
Due from primary government	-	-	-	10,236
Prepaid items	188,183	52,852	241,035	1,308
Capital assets not being depreciated	242,146	6,034,390	6,276,536	-
Capital assets, net of accumulated depreciation	838,316	20,902,411	21,740,727	162,462
Total assets	6,355,948	33,138,876	39,494,824	3,531,311
Deferred outflows of resources				
Deferred amount on refunding	-	271,225	271,225	-
Total assets and deferred outflows of resources	6,355,948	33,410,101	39,766,049	3,531,311

See Accompanying Notes to Financial Statements

Charter Township of Union
Statement of Net Position
December 31, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Accounts payable	\$ 43,467	\$ 543,282	\$ 586,749	\$ 4,543
Accrued and other liabilities	8,510	62,030	70,540	87,148
Due to component unit	3,490	6,746	10,236	-
Noncurrent liabilities				
Due within one year	-	639,000	639,000	75,028
Due in more than one year	21,428	9,876,095	9,897,523	128,122
 Total liabilities	 76,895	 11,127,153	 11,204,048	 294,841
 Deferred inflows of resources				
Property taxes	941,349	-	941,349	1,059,224
 Total liabilities and deferred inflows of resources	 1,018,244	 11,127,153	 12,145,397	 1,354,065
 Net position				
Net investment in capital assets	1,080,462	16,743,284	17,823,746	162,462
Restricted				
Fire	999,275	-	999,275	-
Construction Code Enforcement	32,029	-	32,029	-
Tribal grants	494,289	-	494,289	-
Capital projects	244,496	-	244,496	-
Debt service	-	-	-	15,773
East DDA	-	-	-	1,786,320
West DDA	-	-	-	212,691
Unrestricted	2,487,153	5,539,664	8,026,817	-
 Total net position	 \$ 5,337,704	 \$ 22,282,948	 \$ 27,620,652	 \$ 2,177,246

See Accompanying Notes to Financial Statements

Charter Township of Union
Statement of Activities
For the Year Ended December 31, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 710,612	\$ 88,863	\$ -	\$ -	\$ (621,749)	\$ -	\$ (621,749)	\$ -
Public safety	966,661	277,691	-	-	(688,970)	-	(688,970)	-
Public works	423,379	34,827	-	118,934	(269,618)	-	(269,618)	-
Community and economic development	25,635	-	-	-	(25,635)	-	(25,635)	-
Recreation and culture	116,635	-	-	-	(116,635)	-	(116,635)	-
Total governmental activities	<u>2,242,922</u>	<u>401,381</u>	<u>-</u>	<u>118,934</u>	<u>(1,722,607)</u>	<u>-</u>	<u>(1,722,607)</u>	<u>-</u>
Business-type activities								
Sewer	2,088,093	2,322,821	-	-	-	234,728	234,728	-
Water	1,258,333	1,424,879	-	-	-	166,546	166,546	-
Total business-type activities	<u>3,346,426</u>	<u>3,747,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>401,274</u>	<u>401,274</u>	<u>-</u>
Total primary government	<u>\$ 5,589,348</u>	<u>\$ 4,149,081</u>	<u>\$ -</u>	<u>\$ 118,934</u>	<u>(1,722,607)</u>	<u>401,274</u>	<u>(1,321,333)</u>	<u>-</u>
Component unit								
East Downtown Development Authority	\$ 241,282	\$ -	\$ -	\$ -	-	-	-	(241,282)
West Downtown Development Authority	581,473	10,630	-	8,300	-	-	-	(562,543)
Total component units	<u>\$ 822,755</u>	<u>\$ 10,630</u>	<u>\$ -</u>	<u>\$ 8,300</u>				<u>(803,825)</u>
General revenues								
Property taxes					991,154	-	991,154	1,248,478
State shared revenue					1,021,696	-	1,021,696	-
Unrestricted investment earnings					9,942	14,118	24,060	10,101
Miscellaneous					55,872	43,698	99,570	-
Total general revenues					<u>2,078,664</u>	<u>57,816</u>	<u>2,136,480</u>	<u>1,258,579</u>
Change in net position					356,057	459,090	815,147	454,754
Net position - beginning of year					4,981,647	21,823,858	26,805,505	1,722,492
Net position - end of year					<u>\$ 5,337,704</u>	<u>\$ 22,282,948</u>	<u>\$ 27,620,652</u>	<u>\$ 2,177,246</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Governmental Funds
Balance Sheet
December 31, 2014

	Special Revenue Funds				Total Governmental Funds
	General	Fire	Construction Code Enforcement	Nonmajor Governmental Funds	
Assets					
Cash and cash equivalents	\$ 2,535,551	\$ 1,092,143	\$ 29,963	\$ 544,597	\$ 4,202,254
Receivables					
Taxes	168,996	315,311	-	-	484,307
Customers	35,932	-	5,668	-	41,600
Special assessments	-	-	-	185,108	185,108
Due from other units of government	174,034	-	-	-	174,034
Due from other funds	-	-	-	9,080	9,080
Prepaid items	21,158	163,725	3,300	-	188,183
Total assets	\$ 2,935,671	\$ 1,571,179	\$ 38,931	\$ 738,785	\$ 5,284,566
Liabilities					
Accounts payable	\$ 39,225	\$ -	\$ 4,242	\$ -	\$ 43,467
Accrued and other liabilities	5,850	-	2,660	-	8,510
Due to other funds	9,080	-	-	-	9,080
Due to component unit	3,490	-	-	-	3,490
Total liabilities	57,645	-	6,902	-	64,547

See Accompanying Notes to Financial Statements

Charter Township of Union
Governmental Funds
Balance Sheet
December 31, 2014

	Special Revenue Funds				Total Governmental Funds
	General	Fire	Construction Code Enforcement	Nonmajor Governmental Funds	
Deferred inflows of resources					
Property taxes	\$ 369,445	\$ 571,904	\$ -	\$ -	\$ 941,349
Special assessments	-	-	-	185,108	185,108
Total deferred inflows of resources	369,445	571,904	-	185,108	1,126,457
Fund Balances					
Non-spendable					
Prepaid items	21,158	163,725	3,300	-	188,183
Restricted for					
Fire	-	585,550	-	-	585,550
Construction Code Enforcement	-	-	28,729	-	28,729
Tribal grants	-	-	-	494,289	494,289
Capital projects	-	-	-	59,388	59,388
Assigned	-	250,000	-	-	250,000
Unassigned	2,487,423	-	-	-	2,487,423
Total fund balances	2,508,581	999,275	32,029	553,677	4,093,562
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,935,671	\$ 1,571,179	\$ 38,931	\$ 738,785	\$ 5,284,566

See Accompanying Notes to Financial Statements

Charter Township of Union
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
December 31, 2014

Total fund balances for governmental funds	\$ 4,093,562
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.	838,316
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	242,146
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	185,108
Certain liabilities are not due and payable in the current period and are not reported in the funds. Compensated absences	<u>(21,428)</u>
Net position of governmental activities	<u><u>\$ 5,337,704</u></u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2014

	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General	Fire	Construction Code Enforcement		
Revenues					
Taxes	\$ 430,359	\$ 560,795	\$ -	\$ -	\$ 991,154
Licenses and permits	79,196	-	44,307	-	123,503
State revenue sharing	1,021,696	-	-	-	1,021,696
Local contributions	-	-	-	118,934	118,934
Charges for services	-	153,527	79,857	-	233,384
Fines and forfeitures	2,430	-	-	-	2,430
Interest income	7,820	1,321	174	627	9,942
Rental income	6,815	-	-	-	6,815
Other revenue	64,352	-	11,156	52,528	128,036
Total revenues	1,612,668	715,643	135,494	172,089	2,635,894
Expenditures					
Current					
General government	632,969	-	-	-	632,969
Public safety	13,398	652,222	284,663	-	950,283
Public works	421,511	-	-	-	421,511
Community and economic development	-	-	25,522	-	25,522
Recreation and culture	91,616	-	-	-	91,616
Other functions	12,595	-	-	-	12,595
Capital outlay	175,605	-	19,786	-	195,391
Total expenditures	1,347,694	652,222	329,971	-	2,329,887
Excess (deficiency) of revenues over expenditures	264,974	63,421	(194,477)	172,089	306,007

See Accompanying Notes to Financial Statements

Charter Township of Union
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2014

	<u>Special Revenue Funds</u>			Nonmajor Governmental Funds	Total Governmental Funds
	General	Fire	Construction Code Enforcement		
Other financing sources (uses)					
Transfers in	\$ -	\$ -	\$ 50,000	\$ 105,000	\$ 155,000
Transfers out	(155,000)	-	-	-	(155,000)
Total other financing sources and uses	(155,000)	-	50,000	105,000	-
Net change in fund balance	109,974	63,421	(144,477)	277,089	306,007
Fund balance - beginning of year	2,398,607	935,854	176,506	276,588	3,787,555
Fund balance - end of year	<u>\$ 2,508,581</u>	<u>\$ 999,275</u>	<u>\$ 32,029</u>	<u>\$ 553,677</u>	<u>\$ 4,093,562</u>

See Accompanying Notes to 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, 2014

Net change in fund balances - Total governmental funds	\$ 306,007
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	(66,144)
Capital outlay	150,084
Sale of capital assets (net book value)	(167)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Special assessments	(36,915)
Expenses are recorded when incurred in the statement of activities.	
Compensated absences	<u>3,192</u>
Change in net position of governmental activities	<u><u>\$ 356,057</u></u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Net Position
December 31, 2014

	Enterprise Funds		
	Sewer	Water	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 2,291,433	\$ 2,520,645	\$ 4,812,078
Receivables			
Customers	578,673	311,118	889,791
Special assessments, current	20,891	9,060	29,951
Due from other units of government	250,878	-	250,878
Prepaid items	31,053	21,799	52,852
Total current assets	<u>3,172,928</u>	<u>2,862,622</u>	<u>6,035,550</u>
Noncurrent assets			
Special assessments receivable, deferred	89,093	77,432	166,525
Capital assets not being depreciated	4,551,001	1,483,389	6,034,390
Capital assets, net of accumulated depreciation	<u>13,201,593</u>	<u>7,700,818</u>	<u>20,902,411</u>
Total noncurrent assets	<u>17,841,687</u>	<u>9,261,639</u>	<u>27,103,326</u>
Total assets	21,014,615	12,124,261	33,138,876
Deferred outflows of resources			
Deferred amount on refunding	271,225	-	271,225
Total assets and deferred outflows of resources	<u>21,285,840</u>	<u>12,124,261</u>	<u>33,410,101</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Net Position
December 31, 2014

	Enterprise Funds		
	Sewer	Water	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 306,248	\$ 237,034	\$ 543,282
Accrued and other liabilities	39,697	22,333	62,030
Due to component unit	4,497	2,249	6,746
Current portion of noncurrent liabilities	559,000	80,000	639,000
Total current liabilities	909,442	341,616	1,251,058
Noncurrent liabilities			
Long-term debt net of current portion	8,136,769	1,739,326	9,876,095
Total liabilities	9,046,211	2,080,942	11,127,153
Net position			
Net investment in capital assets	9,355,396	7,387,888	16,743,284
Unrestricted	2,884,233	2,655,431	5,539,664
Total net position	<u>\$ 12,239,629</u>	<u>\$ 10,043,319</u>	<u>\$ 22,282,948</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2014

	Enterprise Funds		
	Sewer	Water	Total
Operating revenue			
Customer fees	\$ 2,256,853	\$ 1,346,878	\$ 3,603,731
Connection fees	47,314	2,160	49,474
Rental income	-	39,412	39,412
Other revenue	20,293	78,488	98,781
Total operating revenue	<u>2,324,460</u>	<u>1,466,938</u>	<u>3,791,398</u>
Operating expenses			
Personnel services	646,100	511,101	1,157,201
Supplies	135,364	21,848	157,212
Contractual services	107,730	53,197	160,927
Utilities	251,570	142,542	394,112
Repairs and maintenance	124,237	104,784	229,021
Other expenses	29,760	87,454	117,214
Depreciation	524,070	269,964	794,034
Total operating expenses	<u>1,818,831</u>	<u>1,190,890</u>	<u>3,009,721</u>
Operating income	<u>505,629</u>	<u>276,048</u>	<u>781,677</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2014

	Enterprise Funds		
	Sewer	Water	Total
Nonoperating revenue (expenses)			
Interest income	\$ 4,991	\$ 9,127	\$ 14,118
Gain on disposal of assets	3,250	3,250	6,500
Interest expense	(272,512)	(70,693)	(343,205)
 Total nonoperating revenues (expenses)	 (264,271)	 (58,316)	 (322,587)
 Change in net position	 241,358	 217,732	 459,090
 Net position - beginning of year	 11,998,271	 9,825,587	 21,823,858
 Net position - end of year	 <u>\$ 12,239,629</u>	 <u>\$ 10,043,319</u>	 <u>\$ 22,282,948</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2014

	Enterprise Funds		
	Sewer	Water	Total
Cash flows from operating activities			
Receipts from customers	\$ 2,172,572	\$ 1,457,355	\$ 3,629,927
Payments to suppliers	(602,456)	(214,583)	(817,039)
Payments to employees	(650,112)	(511,034)	(1,161,146)
Net cash provided by operating activities	920,004	731,738	1,651,742
Cash flows from capital and related financing activities			
Proceeds from capital debt	3,075,367	-	3,075,367
Proceeds from special assessments	17,784	49,368	67,152
Purchases/construction of capital assets	(3,699,519)	(1,472,325)	(5,171,844)
Principal and interest paid on long-term debt	(817,029)	(146,159)	(963,188)
Proceeds from sale of capital assets	3,250	3,250	6,500
Net cash used by capital and related financing activities	(1,420,147)	(1,565,866)	(2,986,013)
Cash flows from investing activities			
Interest received	4,991	9,127	14,118
Net change in cash and cash equivalents	(495,152)	(825,001)	(1,320,153)
Cash and cash equivalents - beginning of year	2,786,585	3,345,646	6,132,231
Cash and cash equivalents - end of year	<u>\$ 2,291,433</u>	<u>\$ 2,520,645</u>	<u>\$ 4,812,078</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2014

	Enterprise Funds		
	Sewer	Water	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 505,629	\$ 276,048	\$ 781,677
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	565,204	271,543	836,747
Changes in assets and liabilities			
Receivables (net)	(53,521)	(32,477)	(85,998)
Due from other units of government	(98,367)	22,894	(75,473)
Prepaid items	2,157	1,665	3,822
Accounts payable	30,868	206,459	237,327
Accrued and other liabilities	(13,121)	(9,682)	(22,803)
Due to component unit	(25,362)	(12,439)	(37,801)
Compensated absences	6,517	7,727	14,244
Net cash provided by operating activities	<u>\$ 920,004</u>	<u>\$ 731,738</u>	<u>\$ 1,651,742</u>

See Accompanying Notes to Financial Statements

**Charter Township of Union
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2014**

	Current Tax Collection Fund	Imprest Payroll Fund	Total Agency Funds
Assets			
Cash and cash equivalents	\$ 2,631,313	\$ 8,927	\$ 2,640,240
Prepaid items	-	35,154	35,154
Total assets	<u>\$ 2,631,313</u>	<u>\$ 44,081</u>	<u>\$ 2,675,394</u>
Liabilities			
Accrued and other liabilities	\$ -	\$ 44,081	\$ 44,081
Due to other units of government	2,631,313	-	2,631,313
Total liabilities	<u>\$ 2,631,313</u>	<u>\$ 44,081</u>	<u>\$ 2,675,394</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Combining Statement of Component Units
Statement of Net Position
December 31, 2014

	East Downtown Development Authority	West Downtown Development Authority	Total
Assets			
Cash and cash equivalents	\$ 1,792,778	\$ 494,715	\$ 2,287,493
Receivables			
Taxes	226,394	196,201	422,595
Special assessments	-	10,588	10,588
Due from other units of government	332,296	304,333	636,629
Due from primary government	-	13,459	13,459
Prepaid items	1,308	-	1,308
Capital assets, net of accumulated depreciation	151,631	10,831	162,462
Total assets	<u>2,504,407</u>	<u>1,030,127</u>	<u>3,534,534</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Combining Statement of Component Units
Statement of Net Position
December 31, 2014

	East Downtown Development Authority	West Downtown Development Authority	Total
Liabilities			
Accounts payable	\$ 4,543	\$ -	\$ 4,543
Accrued interest payable	-	87,148	87,148
Due to primary government	3,223	-	3,223
Noncurrent liabilities			
Due within one year	-	75,028	75,028
Due in more than one year	-	128,122	128,122
Total liabilities	7,766	290,298	298,064
Deferred inflows of resources			
Property taxes	558,690	500,534	1,059,224
Total liabilities and deferred inflows of resources	566,456	790,832	1,357,288
Net position			
Net investment in capital assets	151,631	10,831	162,462
Restricted			
East DDA	1,786,320	-	1,786,320
West DDA	-	212,691	212,691
Debt service	-	15,773	15,773
Total net position	\$ 1,937,951	\$ 239,295	\$ 2,177,246

See Accompanying Notes to Financial Statements

Charter Township of Union
Combining Statement of Component Units
Statement of Activities
For the Year Ended December 31, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	East Downtown Development Authority	West Downtown Development Authority	Total
Governmental Activities						
East Downtown Development Authority	\$ 241,282	\$ -	\$ -	\$ (241,282)	\$ -	\$ (241,282)
West Downtown Development Authority	581,473	10,630	8,300	-	(562,543)	(562,543)
 Total component units	 \$ 822,755	 \$ 10,630	 \$ 8,300	 (241,282)	 (562,543)	 (803,825)
 General revenues						
Property taxes				777,855	470,623	1,248,478
Interest income				2,938	7,163	10,101
 Total general revenues				 780,793	 477,786	 1,258,579
 Change in net position				 539,511	 (84,757)	 454,754
 Net position - beginning of year				 1,398,440	 324,052	 1,722,492
 Net position - end of year				 \$ 1,937,951	 \$ 239,295	 \$ 2,177,246

See Accompanying Notes to Financial Statements

Charter Township of Union
Notes to Financial Statements
December 31, 2014

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 Authority 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.

During 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 did not have any financial activity during 2014.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Charter Township of Union
Notes to Financial Statements
December 31, 2014

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments

receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government'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 Construction Code Enforcement Fund accounts for the resources used to provide enforcement of construction codes and inspections of rental properties within the Township.

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following:

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

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

Charter Township of Union
Notes to Financial Statements
December 31, 2014

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 2014 tax is levied and collectible on December 1, 2014, 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 2013 taxable valuation of the government totaled \$337,245,289, on which ad valorem taxes consisted of 1.0000 mills for operating purposes and 2.1000 mills for fire services. This resulted in \$337,245 for operating expenses and \$708,215 for fire services, exclusive of 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.

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

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excess of more than one year. 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
Building improvements	15 - 50 years
Machinery and equipment	5 - 20 years
Vehicles	5 - 10 years
Water and sewer systems	40 - 50 years

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

Compensated absences – It is the Township’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund 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.

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

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

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

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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

The Governmental Accounting Standards Board issued Statement 69, *Government Combinations and Disposals of Government Operations*, and Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

Statement 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting

and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity. Statement 69 is effective for the year ending December 31, 2014.

Statement 70, addresses the accounting and disclosure of situations in which one government offers a financial guarantee on behalf of another government, not-for-profit organization, private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). A government that extends a nonexchange financial guarantee will be required to recognize a liability when qualitative factors and/or historical data indicate that it is “more likely than not” that the government will be required to make a payment on the guarantee. It further requires governments to disclose any outstanding financial guarantees in the notes to the financial statements. Statement 70 is effective for the year ending December 31, 2014.

Upcoming Accounting and Reporting Changes

The Governmental Accounting Standards Board has issued Statement 68, *Accounting and Financial Reporting for Pensions* and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The effect of these changes has not been determined. Statement 68 is effective for the year ending December 31, 2015.

Statement 71 improves accounting and financial reporting by addressing an issue in Statement 68, *Accounting and Financial Reporting of Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and non-employer contributing entities. Statement 71 should be applied

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simultaneously with the provisions of Statement 68.

The Governmental Accounting Standards Board has also issued *Statement 72, Fair Value Measurement and Application*.

Statement 72 addresses accounting and financial reporting issues related to fair value measurements. Fair value is defined as an exit price (what a government would get to sell the asset), and fair value measurements primarily apply to investments. The statement enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. This statement requires additional disclosures about fair value measurements, the level of fair value hierarchy, and valuation techniques. Statement 72 is effective for the year ending December 31, 2016, although earlier application is allowed.

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 obtained 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.

During the year, the Township incurred expenditures in certain budgetary functions which were in excess of the amount appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
Construction Code Enforcement Fund			
Public safety	\$ 276,736	\$ 284,663	\$ 7,927
Community and economic development	19,710	25,522	5,812

Note 3 - Deposits and Investments

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

Governmental activities	\$ 4,202,254
Business-type activities	4,812,078
Total primary government	<u>9,014,332</u>
Fiduciary funds	2,640,240
Component unit	<u>2,287,493</u>
Total	<u><u>\$ 13,942,065</u></u>

Charter Township of Union
Notes to Financial Statements
December 31, 2014

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)	\$ 9,013,932	\$ 2,640,240	\$ 2,287,493	\$ 13,941,665
Petty cash and cash on hand	400	-	-	400
	<u>\$ 9,014,332</u>	<u>\$ 2,640,240</u>	<u>\$ 2,287,493</u>	<u>\$ 13,942,065</u>

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

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

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

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, \$12,823,662 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	\$ 158,455	Public Improvement Fund
Special assessments	89,093	Sewer Fund
Special assessments	77,432	Water Fund
	<u>\$ 324,980</u>	

Charter Township of Union
Notes to Financial Statements
December 31, 2014

Note 5 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 160,650	\$ -	\$ -	\$ 160,650
Construction in progress	-	81,496	-	81,496
Total capital assets not being depreciated	160,650	81,496	-	242,146
Capital assets being depreciated				
Land improvements	329,743	-	-	329,743
Buildings, additions and improvements	917,853	27,012	-	944,865
Machinery and equipment	285,678	-	27,845	257,833
Vehicles	261,300	41,576	-	302,876
Total capital assets being depreciated	1,794,574	68,588	27,845	1,835,317
Less accumulated depreciation for				
Land improvements	211,185	16,741	-	227,926
Buildings, additions and improvements	327,061	18,513	-	345,574
Machinery and equipment	220,026	12,554	27,678	204,902
Vehicles	200,263	18,336	-	218,599
Total accumulated depreciation	958,535	66,144	27,678	997,001
Net capital assets being depreciated	836,039	2,444	167	838,316
Governmental activities capital assets, net	<u>\$ 996,689</u>	<u>\$ 83,940</u>	<u>\$ 167</u>	<u>\$ 1,080,462</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 275,780	\$ -	\$ -	\$ 275,780
Construction in progress	813,464	4,945,146	-	5,758,610
Total capital assets not being depreciated	1,089,244	4,945,146	-	6,034,390
Capital assets being depreciated				
Land improvements	41,964	-	-	41,964
Buildings, additions and improvements	209,685	-	-	209,685
Machinery and equipment	1,139,201	19,668	8,000	1,150,869
Vehicles	320,883	43,931	25,450	339,364
Water system	11,198,615	65,413	-	11,264,028
Sewer system	12,850,000	97,686	-	12,947,686
Wastewater treatment plant	8,455,202	-	-	8,455,202
Total capital assets being depreciated	34,215,550	226,698	33,450	34,408,798
Less accumulated depreciation for				
Land improvements	22,792	1,881	-	24,673
Buildings, additions and improvements	81,389	9,173	-	90,562
Machinery and equipment	620,088	82,149	8,000	694,237
Vehicles	175,855	25,658	25,450	176,063
Water system	3,614,606	235,321	-	3,849,927
Sewer system	6,036,972	270,748	-	6,307,720
Wastewater treatment plant	2,194,101	169,104	-	2,363,205
Total accumulated depreciation	12,745,803	794,034	33,450	13,506,387
Net capital assets being depreciated	21,469,747	(567,336)	-	20,902,411
Business-type capital assets, net	<u>\$ 22,558,991</u>	<u>\$ 4,377,810</u>	<u>\$ -</u>	<u>\$ 26,936,801</u>

Charter Township of Union
Notes to Financial Statements
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Capital assets activity of the component units for the current year was as follows:

Component Units	Beginning Balance	Increases	Decreases	Ending Balance
East Downtown Development Authority				
Capital assets being depreciated				
Land improvements	\$ 233,279	\$ -	\$ -	\$ 233,279
Less accumulated depreciation for				
Land improvements	69,984	11,664	-	81,648
East Downtown Development Authority capital assets, net	<u>\$ 163,295</u>	<u>\$ (11,664)</u>	<u>\$ -</u>	<u>\$ 151,631</u>
West Downtown Development Authority				
Capital assets being depreciated				
Land improvements	\$ 15,473	\$ -	\$ -	\$ 15,473
Less accumulated depreciation for				
Land improvements	3,868	774	-	4,642
West Downtown Development Authority capital assets, net	<u>\$ 11,605</u>	<u>\$ (774)</u>	<u>\$ -</u>	<u>\$ 10,831</u>
Total component units	<u>\$ 174,900</u>	<u>\$ (12,438)</u>	<u>\$ -</u>	<u>\$ 162,462</u>

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

Governmental activities	
General government	\$ 35,984
Public safety	12,167
Recreation and culture	17,993
Total governmental activities	<u>66,144</u>
Business-type activities	
Sewer	524,070
Water	269,964
Total business-type activities	<u>794,034</u>
Total primary government	<u>\$ 860,178</u>

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

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

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds	General Fund	<u>\$ 9,080</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.

Due to/from primary government and component units is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	East DDA	\$ 3,223
West DDA	General Fund	6,713
West DDA	Sewer Fund	4,497
West DDA	Water Fund	2,249
		<u>\$ 16,682</u>

Charter Township of Union
Notes to Financial Statements
December 31, 2014

The details for interfund transfers are as follows for the governmental funds:

Funds Transferred From	Funds Transferred To	Amount
General Fund	Construction Code Enforcement Fund	\$ 50,000
General Fund	Nonmajor Governmental Funds	105,000
		<u>\$ 155,000</u>

The transfer from general fund to the construction code enforcement fund was made to move unrestricted general fund revenues to finance a portion of the activities of the construction code enforcement fund.

The transfer from the general fund to the public improvement fund was made to eliminate the temporary deficit in the public improvement fund which was created by a timing difference of when special assessment projects incurred expenditures, and when the special assessment revenue can be recognized.

Note 7 - Long-Term Debt

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Other long-term obligations include compensated absences.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	\$ 24,620	\$ -	\$ 3,192	\$ 21,428	\$ -
Business-type activities					
Bonds and notes payable					
General obligation bonds					
2004 Sewer Revenue Refunding Bonds	\$ 895,000	\$ -	\$ 135,000	\$ 760,000	\$ 140,000
2009 Wastewater Refunding Bonds	2,890,000	-	325,000	2,565,000	335,000
2010 Water Revenue Bonds	1,895,000	-	75,000	1,820,000	80,000
2011 Sanitary Sewer System (Phase I)	940,000	132,000	15,000	1,057,000	15,000
2011 Sanitary Sewer System (Phase II)	1,424,511	2,943,367	67,316	4,300,562	69,000
	<u>8,044,511</u>	<u>3,075,367</u>	<u>617,316</u>	<u>10,502,562</u>	<u>639,000</u>
Less deferred amounts					
for issuance discounts	(41,787)	-	(3,967)	(37,820)	-
Total bonds payable	<u>8,002,724</u>	<u>3,075,367</u>	<u>613,349</u>	<u>10,464,742</u>	<u>639,000</u>
Compensated absences	<u>36,109</u>	<u>14,244</u>	<u>-</u>	<u>50,353</u>	<u>-</u>
Total business-type activities	<u>\$ 8,038,833</u>	<u>\$ 3,089,611</u>	<u>\$ 613,349</u>	<u>\$ 10,515,095</u>	<u>\$ 639,000</u>
Component units					
General obligation bonds					
1991 WDDA Series II	\$ 168,327	\$ -	\$ 36,377	\$ 131,950	\$ 35,028
1991 Water/Sewer Special	110,000	-	35,000	75,000	40,000
	<u>278,327</u>	<u>-</u>	<u>71,377</u>	<u>206,950</u>	<u>75,028</u>
Less deferred amounts					
For issuance discounts	(4,750)	-	(950)	(3,800)	-
Total component units	<u>\$ 273,577</u>	<u>\$ -</u>	<u>\$ 70,427</u>	<u>\$ 203,150</u>	<u>\$ 75,028</u>

Charter Township of Union
Notes to Financial Statements
December 31, 2014

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

Primary Government

\$1,920,000 Sewer Revenue Refunding Bonds Series 2004 dated May 13, 2004, due in annual installments ranging from \$140,000 to \$165,000 through November 1, 2019, with an interest rate of 5.27 percent, payable semi-annually. \$ 760,000

\$4,130,000 Wastewater Refunding Bonds Series 2009 dated August 27, 2009, due in annual installments ranging from \$335,000 to \$405,000 through April 1, 2021, with an interest rate ranging from 3.00 to 4.00 percent, payable semi-annually. 2,565,000

\$2,105,000 General Obligation Water Revenue Bonds Series 2010 dated July 21, 2010, due in annual installments ranging from \$80,000 to \$155,000 through October 1, 2030, with an interest rate ranging from 2.50 to 4.40 percent, payable semi-annually. 1,820,000

\$1,100,000 Sewer System Revenue Bonds dated November 1, 2011, due in annual installments ranging from \$15,000 to \$47,000 through May 1, 2051, with an interest rate of 3.25 percent, payable semi-annually. 1,057,000

\$1,424,5110 Sewer System Revenue Bonds dated July 17, 2013, due in annual installments ranging from \$69,000 to \$179,000 through May 1, 2051, with an interest rate of 2.75 percent, payable semi-annually. 4,300,562

\$ 10,502,562

Component Units

\$949,982 West Downtown Development Authority Bonds Series II dated August 20, 1991, due in annual installments ranging from \$31,128 to \$35,028 through August 1, 2018, with an interest rate ranging from 8.10 to 8.25 percent, payable semi-annually. \$ 131,950

\$905,000 West Downtown Development Authority Water/Sewer Special Bonds dated June 1, 1991, due in annual installments ranging from \$35,000 to \$40,000 through March 1, 2016, with an interest rate of 3.50 percent, payable semi-annually. 75,000

\$ 206,950

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

Year Ending December 31,	Business-type Activities		Component Unit	
	Principal	Interest	Principal	Interest
2015	\$ 639,000	\$ 353,239	\$ 75,028	\$ 208,878
2016	657,000	334,211	68,268	217,976
2017	684,000	313,252	32,526	232,474
2018	702,000	290,183	31,128	243,870
2019	729,000	265,310	-	-
2020 - 2024	1,858,000	1,008,228	-	-
2025 - 2029	1,271,000	776,003	-	-
2030 - 2034	836,000	571,916	-	-
2035 - 2039	784,000	462,484	-	-
2040 - 2044	900,000	344,314	-	-
2045 - 2049	1,036,000	208,500	-	-
2050 - 2051	406,562	40,826	-	-
	<u>\$ 10,502,562</u>	<u>\$ 4,968,466</u>	<u>\$ 206,950</u>	<u>\$ 903,198</u>

Charter Township of Union
Notes to Financial Statements
December 31, 2014

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payment for unused sick and vacation time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to \$21,428 for governmental activities. Resources from the general and fire funds will be used to liquidate this liability. The business-type activities reported a liability of \$50,353. Resources from the sewer and water funds will be used to liquidate this liability.

Deferred Amount on Refunding

The Township issued bonds in 2009 to advance refund and retire previously issued bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$464,957. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2021. The balance at December 31, 2014 is \$271,225.

Note 8 - Risk Management

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

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

Note 9 - Employee Retirement and Benefit Systems

Defined contribution plan

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

For the year ended December 31, 2014, the Township's total payroll was \$1,241,657. The current year employer contribution was \$87,779. Employee contributions for the year ended December 31, 2014, totaled \$29,260.

Charter Township of Union
Notes to Financial Statements
December 31, 2014

Note 10 - Contingent Liabilities

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

Note 11 - Contractual Commitments

The Township has contracted with the City of Mount Pleasant for fire protection. The contract currently runs through 2018. The Township's future anticipated operating revenues are expected to be sufficient to cover this commitment. The remaining contractual commitment is as follows:

Year Ending December 31,	
2015	\$ 654,900
2016	669,300
2017	684,000
2018	699,000
	\$ 2,707,200

The Township had active construction projects at year end which included commitments with contractors and vendors as follows:

Project	Total Contract	Amount Spent	Remaining Balance
Fiber optic	\$ 359,540	\$ 244,487	\$ 115,053
Wastewater Treatment Facility	3,520,737	3,357,562	163,175
Water main looping	1,427,525	1,161,867	265,658
	\$ 5,307,802	\$ 4,763,916	\$ 543,886

Charter Township of Union
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes				
Property taxes	\$ 264,651	\$ 264,651	\$ 262,723	\$ (1,928)
Other taxes	6,750	6,750	6,882	132
Penalties and interest	5,100	12,375	12,392	17
Administration fee	140,995	148,995	148,362	(633)
Licenses and permits	70,005	70,005	79,196	9,191
State revenue sharing	942,048	976,010	1,021,696	45,686
Fines and forfeitures	1,500	1,500	2,430	930
Interest income	6,000	6,000	7,820	1,820
Rental income	6,600	6,600	6,815	215
Other revenue	18,130	18,130	64,352	46,222
Sale of fixed assets	250	250	-	(250)
Total revenues	1,462,029	1,511,266	1,612,668	101,402
Expenditures				
General government				
Township board	154,968	120,428	103,242	(17,186)
Supervisor	29,636	30,236	26,566	(3,670)
Manager	35,496	35,646	34,517	(1,129)
Clerk	61,124	49,419	42,381	(7,038)
Audit and accounting	19,700	22,350	22,324	(26)
Data processing	123,391	128,041	122,474	(5,567)
Board of review	5,954	5,954	3,239	(2,715)
Treasurer	39,162	37,737	29,370	(8,367)

Charter Township of Union
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Assessor	\$ 181,759	\$ 175,284	\$ 168,585	\$ (6,699)
Elections	16,561	15,040	13,049	(1,991)
Buildings and grounds	59,300	59,825	55,534	(4,291)
Attorney	10,000	11,000	11,688	688
Total general government	<u>737,051</u>	<u>690,960</u>	<u>632,969</u>	<u>(57,991)</u>
Public safety				
Liquor law enforcement	<u>12,450</u>	<u>14,900</u>	<u>13,398</u>	<u>(1,502)</u>
Public works				
Drains	4,250	4,250	4,245	(5)
Highways, streets and bridges	581,685	400,185	393,803	(6,382)
Street lighting	<u>22,500</u>	<u>22,500</u>	<u>23,463</u>	<u>963</u>
Total public works	<u>608,435</u>	<u>426,935</u>	<u>421,511</u>	<u>(5,424)</u>
Recreation and culture				
Parks and recreation	<u>79,028</u>	<u>103,128</u>	<u>91,616</u>	<u>(11,512)</u>
Other functions				
Insurance and bonds	<u>21,133</u>	<u>16,133</u>	<u>12,595</u>	<u>(3,538)</u>

Charter Township of Union
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Capital outlay	\$ 302,500	\$ 236,290	\$ 175,605	\$ (60,685)
Transfers out	50,000	155,000	155,000	-
Total expenditures	1,810,597	1,643,346	1,502,694	(140,652)
Excess (deficiency) of revenues over expenditures	(348,568)	(132,080)	109,974	242,054
Fund balance - beginning of year	2,398,607	2,398,607	2,398,607	-
Fund balance - end of year	<u>\$ 2,050,039</u>	<u>\$ 2,266,527</u>	<u>\$ 2,508,581</u>	<u>\$ 242,054</u>

Charter Township of Union
Required Supplementary Information
Budgetary Comparison Schedule
Fire Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 567,042	\$ 567,042	\$ 560,795	\$ (6,247)
Charges for services	152,971	152,971	153,527	556
Interest income	1,250	1,250	1,321	71
Total revenues	<u>721,263</u>	<u>721,263</u>	<u>715,643</u>	<u>(5,620)</u>
Expenditures				
Current				
Public safety	<u>721,263</u>	<u>721,263</u>	<u>652,222</u>	<u>(69,041)</u>
Excess of revenues over expenditures	-	-	63,421	63,421
Fund balance - beginning of year	<u>935,854</u>	<u>935,854</u>	<u>935,854</u>	<u>-</u>
Fund balance - end of year	<u>\$ 935,854</u>	<u>\$ 935,854</u>	<u>\$ 999,275</u>	<u>\$ 63,421</u>

**Charter Township of Union
Required Supplementary Information
Budgetary Comparison Schedule
Construction Code Enforcement Fund
For the Year Ended December 31, 2014**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Licenses and permits	\$ 117,000	\$ 117,000	\$ 44,307	\$ (72,693)
Charges for services	72,500	72,500	79,857	7,357
Interest income	25	25	174	149
Other revenue	10,000	10,000	11,156	1,156
Transfers in	50,000	50,000	50,000	-
 Total revenues	 <u>249,525</u>	 <u>249,525</u>	 <u>185,494</u>	 <u>(64,031)</u>
Expenditures				
Current				
Public safety	276,736	276,736	284,663	7,927
Community and economic development	19,710	19,710	25,522	5,812
Capital outlay	25,000	25,000	19,786	(5,214)
 Total expenditures	 <u>321,446</u>	 <u>321,446</u>	 <u>329,971</u>	 <u>8,525</u>
 Deficiency of revenues over expenditures	 (71,921)	 (71,921)	 (144,477)	 (72,556)
 Fund balance - beginning of year	 <u>176,506</u>	 <u>176,506</u>	 <u>176,506</u>	 <u>-</u>
 Fund balance - end of year	 <u>\$ 104,585</u>	 <u>\$ 104,585</u>	 <u>\$ 32,029</u>	 <u>\$ (72,556)</u>

Charter Township of Union
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2014

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Tribal 2%	Public Improvement	
Assets			
Cash and cash equivalents	\$ 494,289	\$ 50,308	\$ 544,597
Receivables			
Special assessments	-	185,108	185,108
Due from other funds	-	9,080	9,080
	<u>494,289</u>	<u>244,496</u>	<u>738,785</u>
Total assets	<u>\$ 494,289</u>	<u>\$ 244,496</u>	<u>\$ 738,785</u>
Deferred inflows of resources			
Special assessments	\$ -	\$ 185,108	\$ 185,108
Fund Balances			
Restricted			
Tribal grants	494,289	-	494,289
Capital projects	-	59,388	59,388
	<u>494,289</u>	<u>59,388</u>	<u>553,677</u>
Total fund balances	<u>494,289</u>	<u>59,388</u>	<u>553,677</u>
	<u>\$ 494,289</u>	<u>\$ 244,496</u>	<u>\$ 738,785</u>
Total deferred inflows of resources and fund balances	<u>\$ 494,289</u>	<u>\$ 244,496</u>	<u>\$ 738,785</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, 2014

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Tribal 2%	Public Improvement	
Revenues			
Local contributions	\$ 118,934	\$ -	\$ 118,934
Interest income	627	-	627
Other revenue	-	52,528	52,528
 Total revenues	 119,561	 52,528	 172,089
Other financing sources			
Transfers in	-	105,000	105,000
 Net change in fund balance	 119,561	 157,528	 277,089
Fund balance - beginning of year (deficit)	374,728	(98,140)	276,588
 Fund balance - end of year	 <u>\$ 494,289</u>	 <u>\$ 59,388</u>	 <u>\$ 553,677</u>

Charter Township of Union
Component Unit - East Downtown Development Authority
Balance Sheet
December 31, 2014

	<u>Operating</u>
Assets	
Cash and cash equivalents	\$ 1,792,778
Receivables	
Taxes	226,394
Due from other units of government	332,296
Prepaid items	1,308
Total assets	<u>\$ 2,352,776</u>
Liabilities	
Accounts payable	\$ 4,543
Due to primary government	3,223
Total liabilities	7,766
Deferred inflows of resources	
Property taxes	558,690
Fund Balances	
Non-spendable	
Prepaid items	1,308
Restricted	
East DDA	1,785,012
Total fund balances	1,786,320
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,352,776</u>

**Charter Township of Union
East Downtown Development Authority
Reconciliation of Fund Balances of Component Unit
to Net Position of Component Unit
December 31, 2014**

Total fund balance for component unit fund \$ 1,786,320

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.

151,631

Net position of component units

\$ 1,937,951

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, 2014

	<u>Operating</u>
Revenues	
Taxes	\$ 777,855
Interest income	2,938
	<u>780,793</u>
Total revenues	
Expenditures	
Current	
Public safety	116,409
Community and economic development	113,209
	<u>229,618</u>
Total expenditures	
Net change in fund balance	551,175
Fund balance - beginning of year	1,235,145
	<u>1,235,145</u>
Fund balance - end of year	<u>\$ 1,786,320</u>

Charter Township of Union
East Downtown Development Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Component Units to the Statement of Activities
For the Year Ended December 31, 2014

Net change in fund balances - total component unit fund	\$ 551,175
Total change in net position reported for component unit activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the government wide statements the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	<u>(11,664)</u>
Change in net position of component units	<u><u>\$ 539,511</u></u>

Charter Township of Union
Component Unit - West Downtown Development Authority
Balance Sheet
December 31, 2014

	Operating	Debt Service	Debt Service Special Assessment	Total
Assets				
Cash and cash equivalents	\$ 398,540	\$ 50,468	\$ 45,707	\$ 494,715
Receivables				
Taxes	196,201	-	-	196,201
Special assessments	-	-	10,588	10,588
Due from other units of government	304,333	-	-	304,333
Due from primary government	6,713	-	6,746	13,459
	<u>905,787</u>	<u>50,468</u>	<u>63,041</u>	<u>1,019,296</u>
Total assets	<u>\$ 905,787</u>	<u>\$ 50,468</u>	<u>\$ 63,041</u>	<u>\$ 1,019,296</u>
Deferred inflows of resources				
Property taxes	\$ 500,534	\$ -	\$ -	\$ 500,534
Special assessments	-	-	10,588	10,588
	<u>500,534</u>	<u>-</u>	<u>10,588</u>	<u>511,122</u>
Total deferred inflows of resources	<u>500,534</u>	<u>-</u>	<u>10,588</u>	<u>511,122</u>
Fund Balances				
Restricted				
West DDA	405,253	-	-	405,253
Debt service	-	50,468	52,453	102,921
	<u>405,253</u>	<u>50,468</u>	<u>52,453</u>	<u>508,174</u>
Total fund balances	<u>405,253</u>	<u>50,468</u>	<u>52,453</u>	<u>508,174</u>
Total deferred inflows of resources and fund balances	<u>\$ 905,787</u>	<u>\$ 50,468</u>	<u>\$ 63,041</u>	<u>\$ 1,019,296</u>

**Charter Township of Union
West Downtown Development Authority
Reconciliation of Fund Balances of Component Unit
to Net Position of Component Unit
December 31, 2014**

Total fund balance for component unit fund	\$ 508,174
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.	10,831
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	10,588
Certain liabilities are not due and payable in the current period and are not reported in the funds. Accrued interest	(87,148)
Long-term liabilities applicable to component unit activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Bonds payable Discount on bonds	(206,950) 3,800
Net position of component units	<u><u>\$ 239,295</u></u>

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, 2014

	Operating	Debt Service	Debt Service Special Assessment	Total
Revenues				
Taxes	\$ 470,623	\$ -	\$ -	\$ 470,623
Interest income	1,168	55	5,940	7,163
Other revenue	8,300	-	42,225	50,525
Total revenues	480,091	55	48,165	528,311
Expenditures				
Current				
Public safety	37,118	-	-	37,118
Community and economic development	337,206	-	-	337,206
Debt service				
Principal retirement	-	36,377	35,000	71,377
Interest and fiscal charges	-	194,423	7,068	201,491
Total expenditures	374,324	230,800	42,068	647,192
Excess (deficiency) of revenues over expenditures	105,767	(230,745)	6,097	(118,881)
Other financing sources (uses)				
Transfers in	-	230,750	-	230,750
Transfers out	(230,750)	-	-	(230,750)
Total other financing sources and uses	(230,750)	230,750	-	-
Net change in fund balance	(124,983)	5	6,097	(118,881)
Fund balance - beginning of year	530,236	50,463	46,356	627,055
Fund balance - end of year	\$ 405,253	\$ 50,468	\$ 52,453	\$ 508,174

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, 2014

Net change in fund balances - total component unit fund \$ (118,881)

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)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Special assessments (31,595)

Expenses are recorded when incurred in the statement of activities.

Accrued interest (3,934)

Bond proceeds are reported as financing sources in the component unit funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the component unit funds but reduces the liability in the statement of net position.

Repayments of long-term debt 71,377
 Amortization of discount (950)

Change in net position of component units \$ (84,757)