

Charter Township of Union

Financial Statements

December 31, 2015

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Charter Township of Union
List of Elected and Appointed Officials
December 31, 2015

Board of Trustees

Russ Alwood, Supervisor

Margie Henry, Clerk

Kim Rice, Treasurer

Roger Hauck, Trustee

Tim Lannen, Trustee

Bryan Mielke, Trustee

Phil Mikus, Trustee

Other Officers and Officials

Brian Smith, Township Manager

Sherrie Teall, Finance Director

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, 2015, 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, 2015, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2016 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, Michigan
May 20, 2016

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2015**

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, 2015.

FINANCIAL HIGHLIGHTS

- The Township's combined total net position is \$28.7 million for the fiscal year ended December 31, 2015, compared to \$27.6 million last fiscal year.
- Total net position increased by \$1.1 million.
- In the Township's governmental activities, revenues generated \$2.8 million, while expenses were \$2.3 million.
- In the Township's business-type activities, revenues generated \$4.1 million, while expenses were \$3.4 million.
- The total cost of all the Township's programs, including governmental and business-type activities was \$5.7 million, up \$0.1 million from last fiscal year.

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.

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2015**

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

- 1) **Governmental Activities** – Most of the Township's basic services are included here, such as public safety, fire protection, public works, parks and recreation, community development, and general administration. Property taxes, state shared revenue, and charges for services finance most of these activities.
- 2) **Business-type Activities** – The Township's business-type activities include water and sewer. Fees are charged to customers to recover all or a significant portion of certain services each fund provides.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Charter Township of Union has three types of funds:

Governmental Funds – Many of the Township's basic services are included in governmental funds which focus on how cash and other financial assets that can be readily converted into cash flow in and out. The funds also show the balances left at year-end that are available for spending.

The governmental funds focus on a short-term view, rather than the long-term focus of the government-wide statements, so additional information is provided after each of the governmental fund statements that explain the relationship or differences between the fund and government-wide statements.

The Township maintains 4 individual governmental funds. Separate information is provided for the General Fund and Fire Protection Fund, each of which are considered 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, 2015**

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected in the Government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary information for the Township. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

TOWNSHIP'S SUMMARY OF NET POSITION

The following summarizes the Township's net position at December 31, 2015 and 2014:

The Township's total combined net position for the fiscal year ended December 31, 2015 is \$28.7 million, made up of \$22.9 million in business-type activities, and \$5.8 million in governmental activities.

Combined unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, is \$8.5 million. Business-type activities unrestricted total is \$5.6 million, while the unrestricted governmental activities net asset total is \$2.9 million.

A portion of the Township's net position (74%) 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, 2015**

Charter Township of Union Net Position

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|-------------------------|---------------------|--------------------------|----------------------|--------------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Assets | | | | | | |
| Current assets | \$ 5,853,734 | \$ 5,275,486 | \$ 6,108,829 | \$ 6,202,075 | \$ 11,962,563 | \$ 11,477,561 |
| Capital assets | 1,069,998 | 1,080,462 | 26,970,180 | 26,936,801 | 28,040,178 | 28,017,263 |
| Total assets | <u>6,923,732</u> | <u>6,355,948</u> | <u>33,079,009</u> | <u>33,138,876</u> | <u>40,002,741</u> | <u>39,494,824</u> |
| Deferred outflows of resources | | | | | | |
| Deferred amount on refunding | - | - | 232,478 | 271,225 | 232,478 | 271,225 |
| Total assets and deferred outflows of resources | <u>6,923,732</u> | <u>6,355,948</u> | <u>33,311,487</u> | <u>33,410,101</u> | <u>40,235,219</u> | <u>39,766,049</u> |
| Liabilities | | | | | | |
| Current liabilities | 66,897 | 55,467 | 845,607 | 1,251,058 | 912,504 | 1,306,525 |
| Long-term liabilities | 13,602 | 21,428 | 9,548,310 | 9,876,095 | 9,561,912 | 9,897,523 |
| Total liabilities | <u>80,499</u> | <u>76,895</u> | <u>10,393,917</u> | <u>11,127,153</u> | <u>10,474,416</u> | <u>11,204,048</u> |
| Deferred inflows of resources | | | | | | |
| Property taxes | 1,006,085 | 941,349 | - | - | 1,006,085 | 941,349 |
| Total liabilities and deferred inflows of resources | <u>1,086,584</u> | <u>1,018,244</u> | <u>10,393,917</u> | <u>11,127,153</u> | <u>11,480,501</u> | <u>12,145,397</u> |
| Net position | | | | | | |
| Net investment in capital assets | 1,069,998 | 1,080,462 | 17,035,862 | 16,743,284 | 18,105,860 | 17,823,746 |
| Restricted | 1,859,359 | 1,770,089 | 298,910 | - | 2,158,269 | 1,770,089 |
| Unrestricted | 2,907,791 | 2,487,153 | 5,582,798 | 5,539,664 | 8,490,589 | 8,026,817 |
| Total net position | <u>\$ 5,837,148</u> | <u>\$ 5,337,704</u> | <u>\$ 22,917,570</u> | <u>\$ 22,282,948</u> | <u>\$ 28,754,718</u> | <u>\$ 27,620,652</u> |

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2015**

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, 2015 and 2014:

Governmental Activities

Net position for governmental activities increased by \$0.5 million during the year ended December 31, 2015, compared to a \$0.4 million increase last year.

The Township's total governmental revenue is \$2.8 million, an increase of \$0.2 million from the prior year. The increase is due to more building and zoning permits being issued, larger investment earnings, and increased tribal contributions in 2015 over 2014.

Expenses totaled \$2.27 million, an increase of \$0.03 million over the prior year. The increase was minimal due to due health care benefit costs being lower, decreased legal fees, and less spending on capital outlay.

Business-type Activities

Net position for business-type activities increased by \$0.6 million during 2015, compared to a \$0.5 million increase last year.

Total revenue increased by \$0.3 million, mainly due to more water and sewer hook-up fees in 2015 caused by an increase in new construction.

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2015**

Charter Township of Union Change in Net Position

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|------------------------------------|-------------------------|---------------------|--------------------------|----------------------|--------------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$ 497,868 | \$ 401,381 | \$ 4,024,485 | \$ 3,747,700 | \$ 4,522,353 | \$ 4,149,081 |
| Operating grants and contributions | - | - | - | - | - | - |
| Capital grants and contributions | 199,664 | 118,934 | - | - | 199,664 | 118,934 |
| General revenues | | | | | | |
| Property taxes | 1,022,865 | 991,154 | - | - | 1,022,865 | 991,154 |
| State shared revenue | 1,023,216 | 1,021,696 | - | - | 1,023,216 | 1,021,696 |
| Unrestricted investment earnings | 20,885 | 9,942 | 40,116 | 14,118 | 61,001 | 24,060 |
| Miscellaneous | 4,478 | 55,872 | 24,057 | 43,698 | 28,535 | 99,570 |
| Total revenues | <u>2,768,976</u> | <u>2,598,979</u> | <u>4,088,658</u> | <u>3,805,516</u> | <u>6,857,634</u> | <u>6,404,495</u> |
| Expenses | | | | | | |
| General government | 700,186 | 710,612 | - | - | 700,186 | 710,612 |
| Public safety | 931,873 | 966,661 | - | - | 931,873 | 966,661 |
| Public works | 425,291 | 423,379 | - | - | 425,291 | 423,379 |
| Community and economic development | 21,374 | 25,635 | - | - | 21,374 | 25,635 |
| Recreation and culture | 190,808 | 116,635 | - | - | 190,808 | 116,635 |
| Sewer | - | - | 2,155,909 | 2,088,093 | 2,155,909 | 2,088,093 |
| Water | - | - | 1,298,127 | 1,258,333 | 1,298,127 | 1,258,333 |
| Total expenses | <u>2,269,532</u> | <u>2,242,922</u> | <u>3,454,036</u> | <u>3,346,426</u> | <u>5,723,568</u> | <u>5,589,348</u> |
| Change in net position | 499,444 | 356,057 | 634,622 | 459,090 | 1,134,066 | 815,147 |
| Net position - beginning of year | 5,337,704 | 4,981,647 | 22,282,948 | 21,823,858 | 27,620,652 | 26,805,505 |
| Net position - end of year | <u>\$ 5,837,148</u> | <u>\$ 5,337,704</u> | <u>\$ 22,917,570</u> | <u>\$ 22,282,948</u> | <u>\$ 28,754,718</u> | <u>\$ 27,620,652</u> |

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2015**

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 two governmental funds that is considered a major fund. It pays for most of the Township's governmental services. Its major components of revenue are property taxes and state shared revenue. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2.9 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 199% of total General Fund expenditures including transfers to other funds. The fund balance of the General Fund increased by about \$401,000 during the current fiscal year due to less spending on road repairs and capital outlay. The plan is to spend some of this General Fund surplus on roads in 2016. The fund balance of the Fire Fund increased by about \$43,000 during the current fiscal year, this increase is set aside for the future purchase of a new fire truck.

The Water and Sewer Funds are the Township's two major Proprietary Funds. The net position of the Sewer Fund increased by approximately \$383,000 during the year. The increase was partly due to an increase in connection fees and user charges. The net position of the Water Fund increased by approximately \$251,000 during the year. The increase was partly 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 3.7% of budget, being somewhat over by \$65,668. This was partly due to State Revenue Sharing (CVTRS) received at year end that the Township does not expect to receive each year. Actual expenditures were \$336,140 less than budget due to contingency and capital outlay budgeted amounts that were not needed. In addition, the meeting fees paid to the board of trustees, annual auditing fees, election worker costs, township hall expenditures, and healthcare benefit expenditures were well under budgeted amounts.

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2015**

CAPITAL ASSETS

At December 31, 2015 and 2014, the Township had the following capital assets:

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--------------------------------------|-------------------------|---------------------|--------------------------|----------------------|--------------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| 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 | - | 5,840,106 |
| Capital assets being depreciated | | | | | | |
| Land improvements | 329,743 | 329,743 | 41,964 | 41,964 | 371,707 | 371,707 |
| Building & improvements | 1,089,260 | 944,865 | 202,927 | 218,240 | 1,292,187 | 1,163,105 |
| Machinery and equipment | 196,233 | 257,833 | 1,429,020 | 1,159,681 | 1,625,253 | 1,417,514 |
| Vehicles | 302,876 | 302,876 | 350,157 | 339,364 | 653,033 | 642,240 |
| Water system | - | - | 12,912,087 | 11,264,028 | 12,912,087 | 11,264,028 |
| Sewer system | - | - | 13,480,115 | 12,947,686 | 13,480,115 | 12,947,686 |
| Wastewater treatment plant | - | - | 12,567,029 | 8,455,202 | 12,567,029 | 8,455,202 |
| Total capital assets | <u>2,078,762</u> | <u>2,077,463</u> | <u>41,259,079</u> | <u>40,460,555</u> | <u>43,337,841</u> | <u>42,538,018</u> |
| Less: accumulated depreciation | <u>(1,008,764)</u> | <u>(997,001)</u> | <u>(14,288,899)</u> | <u>(13,523,754)</u> | <u>(15,297,663)</u> | <u>(14,520,755)</u> |
| Capital assets, net | <u>\$ 1,069,998</u> | <u>\$ 1,080,462</u> | <u>\$ 26,970,180</u> | <u>\$ 26,936,801</u> | <u>\$ 28,040,178</u> | <u>\$ 28,017,263</u> |

**Charter Township of Union
Managements' Discussion and Analysis
Year Ended December 31, 2015**

LONG-TERM DEBT

At December 31, 2015 and 2014, the Township had the following long-term debt outstanding:

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--------------------------|-------------------------|------------------|--------------------------|----------------------|--------------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| General obligation bonds | \$ - | \$ - | \$ 10,166,796 | \$ 10,464,742 | \$ 10,166,796 | \$ 10,464,742 |
| Compensated absences | 13,602 | 21,428 | 38,514 | 50,353 | 52,116 | 71,781 |
| | <u>\$ 13,602</u> | <u>\$ 21,428</u> | <u>\$ 10,205,310</u> | <u>\$ 10,515,095</u> | <u>\$ 10,218,912</u> | <u>\$ 10,536,523</u> |

New debt of \$436,122 was issued during the year for Phase II of the Sanitary Sewer System project. At year-end this project was 100% complete. For the total primary government, \$738,033 of the debt was retired in 2015. In addition, bond discounts were amortized in the amount of \$3,965 for the year. Overall, the accrual for compensated absences decreased by \$19,665 for the year. The amounts decreased due to a change from employees accruing leave time on anniversary date to accruing annually each January 1st and also a leave time payout occurred when a long term employee left the Township.

CURRENT ECONOMIC EVENTS

The Township's budget for the next fiscal year is balanced with no property tax rate increase for general operations; the millage for fire protection services was reduced from 2.1 mills to 2.0 mills. Total expenditures in the General Fund for the next fiscal year are estimated to be \$2.15 million with a plan to use the 2015 surplus revenues in excess of expenditures in the amount of \$370,222. Included in those expenses are major road repairs payable to the Isabella County Road Commission in the amount of \$605,000 to improve sections of Whiteville Road as well as a section of Bluegrass Road and River Road, \$100,000 for phase 4 of the Township Hall renovations, \$55,000 for a recycling depot at the corner of Deerfield Road and Mission Road, and \$125,000 for sidewalk/non motorized pathway projects. The Township has budgeted for 2016 a total decrease in General Fund revenues compared to 2015, due to uncertainty in the number of building permits that may be issued in 2016. 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 2016.

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, 2015**

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, 2015

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|--------------|--------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and cash equivalents | \$ 4,516,866 | \$ 4,699,751 | \$ 9,216,617 | \$ 1,596,872 |
| Receivables | | | | |
| Taxes | 592,570 | - | 592,570 | 274,429 |
| Customers | 45,901 | 892,319 | 938,220 | 267 |
| Special assessments | 151,965 | 164,405 | 316,370 | - |
| Due from other units of government | 347,250 | - | 347,250 | 618,518 |
| Due from fiduciary funds | - | 600 | 600 | - |
| Prepaid items | 191,610 | 52,844 | 244,454 | 1,263 |
| Restricted assets | | | | |
| Cash and cash equivalents | - | 298,910 | 298,910 | - |
| Property held for sale | 7,572 | - | 7,572 | - |
| Capital assets not being depreciated | 160,650 | 275,780 | 436,430 | - |
| Capital assets, net of accumulated depreciation | 909,348 | 26,694,400 | 27,603,748 | 150,024 |
| | | | | |
| Total assets | 6,923,732 | 33,079,009 | 40,002,741 | 2,641,373 |
| | | | | |
| Deferred outflows of resources | | | | |
| Deferred amount on refunding | - | 232,478 | 232,478 | - |
| | | | | |
| Total assets and deferred outflows of resources | 6,923,732 | 33,311,487 | 40,235,219 | 2,641,373 |

See Accompanying Notes to the Financial Statements

Charter Township of Union
Statement of Net Position
December 31, 2015

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|-------------------|--------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Liabilities | | | | |
| Accounts payable | \$ 57,471 | \$ 129,731 | \$ 187,202 | \$ 29,989 |
| Accrued and other liabilities | 9,426 | 58,876 | 68,302 | 90,256 |
| Noncurrent liabilities | | | | |
| Due within one year | - | 657,000 | 657,000 | 33,268 |
| Due in more than one year | 13,602 | 9,548,310 | 9,561,912 | 60,804 |
| Total liabilities | 80,499 | 10,393,917 | 10,474,416 | 214,317 |
| Deferred inflows of resources | | | | |
| Property taxes | 1,006,085 | - | 1,006,085 | 892,597 |
| Total liabilities and deferred inflows of resources | 1,086,584 | 10,393,917 | 11,480,501 | 1,106,914 |
| Net position | | | | |
| Net investment in capital assets | 1,069,998 | 17,035,862 | 18,105,860 | 150,024 |
| Restricted | | | | |
| Fire | 1,042,086 | - | 1,042,086 | - |
| Construction Code Enforcement | 21,025 | - | 21,025 | - |
| Tribal grants | 598,898 | - | 598,898 | - |
| Capital projects | 197,350 | - | 197,350 | - |
| Debt reserve | - | 298,910 | 298,910 | - |
| East DDA | - | - | - | 882,744 |
| West DDA | - | - | - | 501,691 |
| Unrestricted | 2,907,791 | 5,582,798 | 8,490,589 | - |
| Total net position | \$ 5,837,148 | \$ 22,917,570 | \$ 28,754,718 | \$ 1,534,459 |

See Accompanying Notes to the Financial Statements

Charter Township of Union
Statement of Activities
For the Year Ended December 31, 2015

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit |
|---------------------------------------|---------------------|-------------------------|--|--|--|-----------------------------|----------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | Governmental Activities | Business-type Activities | Total | |
| Primary government | | | | | | | | |
| Governmental activities | | | | | | | | |
| General government | \$ 700,186 | \$ 366,506 | \$ - | \$ - | \$ (333,680) | \$ - | \$ (333,680) | \$ - |
| Public safety | 931,873 | 100,940 | - | - | (830,933) | - | (830,933) | - |
| Public works | 425,291 | 30,422 | - | 199,664 | (195,205) | - | (195,205) | - |
| Community and economic development | 21,374 | - | - | - | (21,374) | - | (21,374) | - |
| Recreation and culture | 190,808 | - | - | - | (190,808) | - | (190,808) | - |
| Total governmental activities | <u>2,269,532</u> | <u>497,868</u> | <u>-</u> | <u>199,664</u> | <u>(1,572,000)</u> | <u>-</u> | <u>(1,572,000)</u> | <u>-</u> |
| Business-type activities | | | | | | | | |
| Sewer | 2,155,909 | 2,519,064 | - | - | - | 363,155 | 363,155 | - |
| Water | 1,298,127 | 1,505,421 | - | - | - | 207,294 | 207,294 | - |
| Total business-type activities | <u>3,454,036</u> | <u>4,024,485</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>570,449</u> | <u>570,449</u> | <u>-</u> |
| Total primary government | <u>\$ 5,723,568</u> | <u>\$ 4,522,353</u> | <u>\$ -</u> | <u>\$ 199,664</u> | <u>(1,572,000)</u> | <u>570,449</u> | <u>(1,001,551)</u> | <u>-</u> |
| Component units | | | | | | | | |
| East Downtown Development Authority | \$ 1,333,892 | \$ - | \$ - | \$ - | - | - | - | (1,333,892) |
| West Downtown Development Authority | 254,531 | 23,459 | - | - | - | - | - | (231,072) |
| Total component units | <u>\$ 1,588,423</u> | <u>\$ 23,459</u> | <u>\$ -</u> | <u>\$ -</u> | | | | <u>(1,564,964)</u> |
| General revenues | | | | | | | | |
| Property taxes | | | | | 1,022,865 | - | 1,022,865 | 913,618 |
| State shared revenue | | | | | 1,023,216 | - | 1,023,216 | - |
| Unrestricted investment earnings | | | | | 20,885 | 40,116 | 61,001 | 8,295 |
| Miscellaneous | | | | | 4,478 | 24,057 | 28,535 | 264 |
| Total general revenues | | | | | <u>2,071,444</u> | <u>64,173</u> | <u>2,135,617</u> | <u>922,177</u> |
| Change in net position | | | | | 499,444 | 634,622 | 1,134,066 | (642,787) |
| Net position - beginning of year | | | | | <u>5,337,704</u> | <u>22,282,948</u> | <u>27,620,652</u> | <u>2,177,246</u> |
| Net position - end of year | | | | | <u>\$ 5,837,148</u> | <u>\$ 22,917,570</u> | <u>\$ 28,754,718</u> | <u>\$ 1,534,459</u> |

See Accompanying Notes to the Financial Statements

Charter Township of Union
Governmental Funds
Balance Sheet
December 31, 2015

| | <u>Special Revenue Fund</u> | | Nonmajor Governmental Funds | Total Governmental Funds |
|------------------------------------|-----------------------------|---------------------|-----------------------------------|--------------------------------|
| | <u>General</u> | <u>Fire</u> | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 2,775,244 | \$ 1,097,339 | \$ 644,283 | \$ 4,516,866 |
| Receivables | | | | |
| Taxes | 214,544 | 378,026 | - | 592,570 |
| Customers | 40,651 | 5,250 | - | 45,901 |
| Special assessments | - | - | 151,965 | 151,965 |
| Due from other units of government | 347,250 | - | - | 347,250 |
| Prepaid items | 24,285 | 167,325 | - | 191,610 |
| Property held for sale | 7,572 | - | - | 7,572 |
| | <u>7,572</u> | <u>-</u> | <u>-</u> | <u>7,572</u> |
| Total assets | <u>\$ 3,409,546</u> | <u>\$ 1,647,940</u> | <u>\$ 796,248</u> | <u>\$ 5,853,734</u> |
| Liabilities | | | | |
| Accounts payable | \$ 53,252 | \$ 4,219 | \$ - | \$ 57,471 |
| Accrued and other liabilities | 9,426 | - | - | 9,426 |
| | <u>9,426</u> | <u>-</u> | <u>-</u> | <u>9,426</u> |
| Total liabilities | <u>62,678</u> | <u>4,219</u> | <u>-</u> | <u>66,897</u> |

See Accompanying Notes to the Financial Statements

**Charter Township of Union
Governmental Funds
Balance Sheet
December 31, 2015**

| | <u>Special Revenue Fund</u> | | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------------------|-------------------------|-----------------------------------|--------------------------------|
| | <u>General</u> | <u>Fire</u> | | |
| Deferred inflows of resources | | | | |
| Property taxes | \$ 404,450 | \$ 601,635 | \$ - | \$ 1,006,085 |
| Special assessments | - | - | 151,965 | 151,965 |
| Total deferred inflows of resources | <u>404,450</u> | <u>601,635</u> | <u>151,965</u> | <u>1,158,050</u> |
| Fund Balances | | | | |
| Non-spendable | | | | |
| Prepaid items | 24,285 | 167,325 | - | 191,610 |
| Restricted for | | | | |
| Fire | - | 874,761 | - | 874,761 |
| Construction Code Enforcement | 21,025 | - | - | 21,025 |
| Tribal grants | - | - | 598,898 | 598,898 |
| Capital projects | - | - | 45,385 | 45,385 |
| Assigned - roof replacement | 2,060 | - | - | 2,060 |
| Unassigned | 2,895,048 | - | - | 2,895,048 |
| Total fund balances | <u>2,942,418</u> | <u>1,042,086</u> | <u>644,283</u> | <u>4,628,787</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 3,409,546</u> | <u>\$ 1,647,940</u> | <u>\$ 796,248</u> | <u>\$ 5,853,734</u> |

See Accompanying Notes to the Financial Statements

Charter Township of Union
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
December 31, 2015

| | |
|---|----------------------------|
| Total fund balances for governmental funds | \$4,628,787 |
| 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. | 909,348 |
| Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds. | 160,650 |
| Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds. | 151,965 |
| Certain liabilities are not due and payable in the current period and are not reported in the funds. Compensated absences | <u>(13,602)</u> |
| Net position of governmental activities | <u><u>\$ 5,837,148</u></u> |

Charter Township of Union
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2015

| | Special Revenue Fund | | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------------|---------------------|-----------------------------------|--------------------------------|
| | General | Fire | | |
| Revenues | | | | |
| Taxes | \$ 431,115 | \$ 591,750 | \$ - | \$ 1,022,865 |
| Licenses and permits | 264,179 | - | - | 264,179 |
| State revenue sharing | 1,023,216 | - | - | 1,023,216 |
| Local contributions | - | - | 199,664 | 199,664 |
| Charges for services | 88,705 | 100,940 | - | 189,645 |
| Fines and forfeitures | 1,357 | - | - | 1,357 |
| Interest income | 14,713 | 5,023 | 1,149 | 20,885 |
| Rental income | 12,250 | - | - | 12,250 |
| Other revenue | 21,980 | - | 46,078 | 68,058 |
| Total revenues | 1,857,515 | 697,713 | 246,891 | 2,802,119 |
| Expenditures | | | | |
| Current | | | | |
| General government | 664,511 | - | - | 664,511 |
| Public safety | 263,178 | 654,902 | - | 918,080 |
| Public works | 268,753 | - | 96,136 | 364,889 |
| Community and economic development | 21,359 | - | - | 21,359 |
| Recreation and culture | 165,699 | - | - | 165,699 |
| Other functions | 9,308 | - | - | 9,308 |
| Capital outlay | 62,899 | - | 60,149 | 123,048 |
| Total expenditures | 1,455,707 | 654,902 | 156,285 | 2,266,894 |
| Net change in fund balance | 401,808 | 42,811 | 90,606 | 535,225 |
| Fund balance - beginning of year, as restated | 2,540,610 | 999,275 | 553,677 | 4,093,562 |
| Fund balance - end of year | <u>\$ 2,942,418</u> | <u>\$ 1,042,086</u> | <u>\$ 644,283</u> | <u>\$ 4,628,787</u> |

See Accompanying Notes to the Financial Statements

Charter Township of Union
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2015

| | |
|--|--------------------------|
| Net change in fund balances - Total governmental funds | \$ 535,225 |
| 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 | (65,189) |
| Capital outlay | 62,899 |
| Sale of capital assets (net book value) | (8,174) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. | |
| Special assessments | (33,143) |
| Expenses are recorded when incurred in the statement of activities. | |
| Compensated absences | <u>7,826</u> |
| Change in net position of governmental activities | <u><u>\$ 499,444</u></u> |

Charter Township of Union
Proprietary Funds
Statement of Net Position
December 31, 2015

| | Enterprise Funds | | |
|---|-------------------|-------------------|-------------------|
| | Sewer | Water | Total |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 2,278,778 | \$ 2,420,973 | \$ 4,699,751 |
| Receivables | | | |
| Customers | 584,630 | 307,689 | 892,319 |
| Special assessments, current | 22,293 | 9,683 | 31,976 |
| Due from fiduciary funds | 600 | - | 600 |
| Prepaid items | 29,960 | 22,884 | 52,844 |
| Total current assets | <u>2,916,261</u> | <u>2,761,229</u> | <u>5,677,490</u> |
| Noncurrent assets | | | |
| Restricted assets | | | |
| Cash and cash equivalents | 298,910 | - | 298,910 |
| Special assessments receivable, deferred | 65,398 | 67,031 | 132,429 |
| Capital assets not being depreciated | 258,680 | 17,100 | 275,780 |
| Capital assets, net of accumulated depreciation | <u>17,439,253</u> | <u>9,255,147</u> | <u>26,694,400</u> |
| Total noncurrent assets | <u>18,062,241</u> | <u>9,339,278</u> | <u>27,401,519</u> |
| Total assets | 20,978,502 | 12,100,507 | 33,079,009 |
| Deferred outflows of resources | | | |
| Deferred amount on refunding | <u>232,478</u> | <u>-</u> | <u>232,478</u> |
| Total assets and deferred outflows of resources | <u>21,210,980</u> | <u>12,100,507</u> | <u>33,311,487</u> |

See Accompanying Notes to the Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Net Position
December 31, 2015

| | Enterprise Funds | | |
|---|----------------------|----------------------|----------------------|
| | Sewer | Water | Total |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | \$ 80,626 | \$ 49,105 | \$ 129,731 |
| Accrued and other liabilities | 36,876 | 22,000 | 58,876 |
| Current portion of noncurrent liabilities | 572,000 | 85,000 | 657,000 |
| Total current liabilities | 689,502 | 156,105 | 845,607 |
| Noncurrent liabilities | | | |
| Long-term debt net of current portion | 7,898,572 | 1,649,738 | 9,548,310 |
| Total liabilities | 8,588,074 | 1,805,843 | 10,393,917 |
| Net position | | | |
| Net investment in capital assets | 9,481,512 | 7,554,350 | 17,035,862 |
| Restricted for | | | |
| Debt reserve | 298,910 | - | 298,910 |
| Unrestricted | 2,842,484 | 2,740,314 | 5,582,798 |
| Total net position | <u>\$ 12,622,906</u> | <u>\$ 10,294,664</u> | <u>\$ 22,917,570</u> |

See Accompanying Notes to the Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2015

| | Enterprise Funds | | |
|---------------------------|------------------|------------------|------------------|
| | Sewer | Water | Total |
| Operating revenue | | | |
| Customer fees | \$ 2,347,413 | \$ 1,352,834 | \$ 3,700,247 |
| Connection fees | 171,651 | 81,650 | 253,301 |
| Rental income | - | 40,119 | 40,119 |
| Other revenue | 2,876 | 51,999 | 54,875 |
| | | | |
| Total operating revenue | <u>2,521,940</u> | <u>1,526,602</u> | <u>4,048,542</u> |
| | | | |
| Operating expenses | | | |
| Personnel services | 624,120 | 526,338 | 1,150,458 |
| Supplies | 120,191 | 55,448 | 175,639 |
| Contractual services | 97,491 | 43,626 | 141,117 |
| Utilities | 234,831 | 122,394 | 357,225 |
| Repairs and maintenance | 159,136 | 179,501 | 338,637 |
| Other expenses | 32,528 | 10,885 | 43,413 |
| Depreciation | 574,614 | 292,742 | 867,356 |
| | | | |
| Total operating expenses | <u>1,842,911</u> | <u>1,230,934</u> | <u>3,073,845</u> |
| | | | |
| Operating income | <u>679,029</u> | <u>295,668</u> | <u>974,697</u> |

See Accompanying Notes to the Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2015

| | Enterprise Funds | | |
|--|--------------------------|--------------------------|--------------------------|
| | Sewer | Water | Total |
| Nonoperating revenue (expenses) | | | |
| Interest income | \$ 17,246 | \$ 22,870 | \$ 40,116 |
| Gain on disposal of assets | 555 | 1,594 | 2,149 |
| Interest expense | (313,553) | (68,787) | (382,340) |
| Total nonoperating revenues (expenses) | (295,752) | (44,323) | (340,075) |
| Change in net position | 383,277 | 251,345 | 634,622 |
| Net position - beginning of year | 12,239,629 | 10,043,319 | 22,282,948 |
| Net position - end of year | <u>\$ 12,622,906</u> | <u>\$ 10,294,664</u> | <u>\$ 22,917,570</u> |

See Accompanying Notes to the Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2015

| | Enterprise Funds | | |
|---|---------------------|---------------------|---------------------|
| | Sewer | Water | Total |
| Cash flows from operating activities | | | |
| Receipts from customers | \$ 2,766,861 | \$ 1,530,031 | \$ 4,296,892 |
| Payments to other funds | (600) | - | (600) |
| Payments to suppliers | (1,046,652) | (601,539) | (1,648,191) |
| Payments to employees | (629,368) | (532,340) | (1,161,708) |
| Net cash provided by operating activities | 1,090,241 | 396,152 | 1,486,393 |
| Cash flows from capital and related financing activities | | | |
| Proceeds from capital debt | 436,122 | - | 436,122 |
| Proceeds from special assessments | 22,293 | 9,778 | 32,071 |
| Purchases/construction of capital assets | (522,528) | (385,558) | (908,086) |
| Principal and interest paid on long-term debt | (974,832) | (149,284) | (1,124,116) |
| Proceeds from sale of capital assets | 3,130 | 6,370 | 9,500 |
| Net cash used by capital and related financing activities | (1,035,815) | (518,694) | (1,554,509) |
| Cash flows from investing activities | | | |
| Interest received | 17,246 | 22,870 | 40,116 |
| Net change in cash and cash equivalents | 71,672 | (99,672) | (28,000) |
| Cash and cash equivalents - beginning of year | 2,207,106 | 2,520,645 | 4,727,751 |
| Cash and cash equivalents - end of year | <u>\$ 2,278,778</u> | <u>\$ 2,420,973</u> | <u>\$ 4,699,751</u> |

See Accompanying Notes to the Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2015

| | Enterprise Funds | | |
|--|---------------------|-------------------|---------------------|
| | Sewer | Water | Total |
| Reconciliation of operating income to net cash provided by operating activities | | | |
| Operating income | \$ 679,029 | \$ 295,668 | \$ 974,697 |
| Adjustments to reconcile operating income to net cash from operating activities | | | |
| Depreciation and amortization expense | 615,748 | 294,320 | 910,068 |
| Changes in assets and liabilities | | | |
| Receivables (net) | (5,957) | 3,429 | (2,528) |
| Due from other units of government | 250,878 | - | 250,878 |
| Due from other funds | (600) | - | (600) |
| Prepaid items | 1,093 | (1,085) | 8 |
| Restricted cash and cash equivalents | (214,583) | - | (214,583) |
| Accounts payable | (225,622) | (187,929) | (413,551) |
| Accrued and other liabilities | 425 | 164 | 589 |
| Due to component unit | (4,497) | (2,249) | (6,746) |
| Compensated absences | (5,673) | (6,166) | (11,839) |
| Net cash provided by operating activities | <u>\$ 1,090,241</u> | <u>\$ 396,152</u> | <u>\$ 1,486,393</u> |

See Accompanying Notes to the Financial Statements

Charter Township of Union
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2015

| | Current Tax Collection Fund | Imprest Payroll Fund | Total Agency Funds |
|----------------------------------|-----------------------------------|-------------------------|--------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 2,932,712 | \$ 10,432 | \$ 2,943,144 |
| Prepaid items | - | 41,600 | 41,600 |
| Total assets | \$ 2,932,712 | \$ 52,032 | \$ 2,984,744 |
| Liabilities | | | |
| Accrued and other liabilities | \$ - | \$ 52,032 | \$ 52,032 |
| Due to other units of government | 2,932,712 | - | 2,932,712 |
| Total liabilities | \$ 2,932,712 | \$ 52,032 | \$ 2,984,744 |

See Accompanying Notes to the Financial Statements

Charter Township of Union
Combining Statement of Component Units
Statement of Net Position
December 31, 2015

| | East Downtown Development Authority | West Downtown Development Authority | Total |
|---|--|--|------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 910,635 | \$ 686,237 | \$ 1,596,872 |
| Receivables | | | |
| Taxes | 101,919 | 172,510 | 274,429 |
| Customers | 267 | - | 267 |
| Due from other units of government | 332,933 | 285,585 | 618,518 |
| Prepaid items | 1,263 | - | 1,263 |
| Capital assets, net of accumulated depreciation | 139,967 | 10,057 | 150,024 |
| | | | |
| Total assets | <u>1,486,984</u> | <u>1,154,389</u> | <u>2,641,373</u> |

See Accompanying Notes to the Financial Statements

Charter Township of Union
Combining Statement of Component Units
Statement of Net Position
December 31, 2015

| | East Downtown Development Authority | West Downtown Development Authority | Total |
|---|--|--|------------------|
| Liabilities | | | |
| Accounts payable | \$ 29,489 | \$ 500 | \$ 29,989 |
| Accrued interest payable | - | 90,256 | 90,256 |
| Noncurrent liabilities | | | |
| Due within one year | - | 33,268 | 33,268 |
| Due in more than one year | - | 60,804 | 60,804 |
| Total liabilities | 29,489 | 184,828 | 214,317 |
| Deferred inflows of resources | | | |
| Property taxes | 434,784 | 457,813 | 892,597 |
| Total liabilities and deferred inflows of resources | 464,273 | 642,641 | 1,106,914 |
| Net position | | | |
| Net investment in capital assets | 139,967 | 10,057 | 150,024 |
| Restricted | | | |
| East DDA | 882,744 | - | 882,744 |
| West DDA | - | 501,691 | 501,691 |
| Total net position | \$ 1,022,711 | \$ 511,748 | \$ 1,534,459 |

See Accompanying Notes to the Financial Statements

Charter Township of Union
Combining Statement of Component Units
Statement of Activities
For the Year Ended December 31, 2015

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--------------------------------------|------------------|----------------------|----------------------------------|---|--------------------------------|------------------|
| | Expenses | Charges for Services | Capital Grants and Contributions | East | West | Total |
| | | | | Downtown Development Authority | Downtown Development Authority | |
| Component units | | | | | | |
| East Downtown Development Authority | \$ 1,333,892 | \$ - | \$ - | \$ (1,333,892) | \$ - | \$ (1,333,892) |
| West Downtown Development Authority | 254,531 | 23,459 | - | - | (231,072) | (231,072) |
| Total component units | \$ 1,588,423 | \$ 23,459 | \$ - | (1,333,892) | (231,072) | (1,564,964) |
| General revenues | | | | | | |
| Property taxes | | | | 414,780 | 498,838 | 913,618 |
| Interest income | | | | 3,608 | 4,687 | 8,295 |
| Miscellaneous | | | | 264 | - | 264 |
| Total general revenues | | | | 418,652 | 503,525 | 922,177 |
| Change in net position | | | | (915,240) | 272,453 | (642,787) |
| Net position - beginning of year | | | | 1,937,951 | 239,295 | 2,177,246 |
| Net position - end of year | | | | \$ 1,022,711 | \$ 511,748 | \$ 1,534,459 |

See Accompanying Notes to the Financial Statements

Charter Township of Union
Notes to the Financial Statements
December 31, 2015

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.

In 2014, the Township created a Brownfield Redevelopment Authority ("Authority") to promote the redevelopment of environmentally distressed, functionally obsolete and/or blighted areas of the Township. The Authority has not yet had any financial activity.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of 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*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Charter Township of Union
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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 government reports the following major proprietary funds:

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

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

Additionally, the government reports the following:

The Nonmajor Special Revenue Fund accounts for the proceeds of a specific revenue source requiring separate accounting because of administrative requirements.

The Capital Projects Fund accounts for the proceeds of special assessments, and the improvements made with those funds.

The 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.

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

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

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

Assets, liabilities, and net position or equity

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

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

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The Township considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Although the Township's 2015 tax is levied and collectible on December 1, 2015, 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 2014 taxable valuation of the government totaled \$331,132,845, on which ad valorem taxes consisted of 1.0000 mills for operating purposes and 2.1000 mills for fire services. This resulted in \$331,133 for operating expenses and \$695,379 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.

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Restricted assets – Certain bonds of the Enterprise Funds require amounts to be set aside for a bond reserve. These amounts have been classified as restricted cash.

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

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

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

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

Committed – amounts constrained on use imposed by the government's highest level of decision-making, its Board of Trustees. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Trustees.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Trustees. The Board of Trustees has not approved a policy indicating who is to assign amounts to a specific purpose. As a result, this authority is retained by the Board of Trustees. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

The Township has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, resources with the highest level of restriction will be used first.

Upcoming Accounting and Reporting Changes

The Governmental Accounting Standards Board has released the following Statements.

Statement 72, *Fair Value Measurements and Applications*. 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.

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. The purpose of this Statement is provide the readers of the financial statements information about the effects of the pension-related transactions on the financial statements of state and local government employers. It will assist in assessing the relationship between a government's inflows of resources and its total cost (including pension expense) of providing government services each period in addition to providing information about the government's pension obligation. The first objective of this Statement is to improve the information about financial support provided by certain nonemployer entities for pensions that are provided to the employees of other entities that are not within the scope of Statement No. 68. These requirements are effective for the fiscal year ending December 31, 2017. The second objective is to improve the quality of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions that are not within the scope of Statement 68 and the third objective is to clarify the

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application of certain provisions of Statement No. 67 and 68. These two requirements are effective for the fiscal year ending December 31, 2016.

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending December 31, 2017.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending December 31, 2018.

The Township is evaluating the impact GASB 72 through 75 will have on its financial reporting.

Note 2 - Stewardship, Compliance and Accountability

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to December 31, the Township Manager submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. Public hearings are 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.

Charter Township of Union
Notes to the Financial Statements
December 31, 2015

Deposits and Investments

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

| | Cash and Cash Equivalents | Restricted Cash and Cash Equivalents | Total |
|--------------------------|------------------------------|--|----------------------|
| Governmental activities | \$ 4,516,866 | \$ - | \$ 4,516,866 |
| Business-type activities | 4,875,622 | 123,039 | 4,998,661 |
| Total primary government | 9,392,488 | 123,039 | 9,515,527 |
| Fiduciary funds | 2,943,144 | - | 2,943,144 |
| Component unit | 1,596,872 | - | 1,596,872 |
| Total | <u>\$ 13,932,504</u> | <u>\$ 123,039</u> | <u>\$ 14,055,543</u> |

The breakdown between deposits and investments is as follows:

| | Primary Government | Fiduciary Funds | Component Units | Total |
|--|-----------------------|---------------------|---------------------|----------------------|
| Bank deposits (checking and savings accounts, money markets and certificates of deposit) | \$ 9,515,127 | \$ 2,943,144 | \$ 1,596,872 | \$ 14,055,143 |
| Petty cash and cash on hand | 400 | - | - | 400 |
| | <u>\$ 9,515,527</u> | <u>\$ 2,943,144</u> | <u>\$ 1,596,872</u> | <u>\$ 14,055,543</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, \$15,043,994 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Charter Township of Union
Notes to the Financial Statements
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Note 3 - Receivables

The only receivables not expected to be collected within one year are as follows:

| | Due After One Year | Fund |
|---------------------------|-----------------------|-------------------------|
| Primary government | | |
| Special assessments | \$ 125,044 | Public Improvement Fund |
| Special assessments | 65,398 | Sewer Fund |
| Special assessments | 67,031 | Water Fund |
| | <u>\$ 257,473</u> | |

Note 4 - 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 | <u>242,146</u> | <u>-</u> | <u>81,496</u> | <u>160,650</u> |
| Capital assets being depreciated | | | | |
| Land improvements | 329,743 | - | - | 329,743 |
| Buildings, additions and improvements | 944,865 | 144,395 | - | 1,089,260 |
| Machinery and equipment | 257,833 | - | 61,600 | 196,233 |
| Vehicles | 302,876 | - | - | 302,876 |
| Total capital assets being depreciated | <u>1,835,317</u> | <u>144,395</u> | <u>61,600</u> | <u>1,918,112</u> |
| Less accumulated depreciation for | | | | |
| Land improvements | 227,926 | 16,741 | - | 244,667 |
| Buildings, additions and improvements | 345,574 | 19,971 | - | 365,545 |
| Machinery and equipment | 204,902 | 8,244 | 53,426 | 159,720 |
| Vehicles | 218,599 | 20,233 | - | 238,832 |
| Total accumulated depreciation | <u>997,001</u> | <u>65,189</u> | <u>53,426</u> | <u>1,008,764</u> |
| Net capital assets being depreciated | <u>838,316</u> | <u>79,206</u> | <u>8,174</u> | <u>909,348</u> |
| Governmental activities capital assets, net | <u>\$ 1,080,462</u> | <u>\$ 79,206</u> | <u>\$ 89,670</u> | <u>\$ 1,069,998</u> |

Charter Township of Union
Notes to the Financial Statements
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| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------------|---------------------|----------------------|
| Business-type activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 275,780 | \$ - | \$ - | \$ 275,780 |
| Construction in progress | 5,758,610 | - | 5,758,610 | - |
| Total capital assets not being depreciated | 6,034,390 | - | 5,758,610 | 275,780 |
| Capital assets being depreciated | | | | |
| Land improvements | 41,964 | - | - | 41,964 |
| Buildings, additions and improvements | 218,240 | - | 15,313 | 202,927 |
| Machinery and equipment | 1,159,681 | 345,962 | 76,623 | 1,429,020 |
| Vehicles | 339,364 | 28,419 | 17,626 | 350,157 |
| Water system | 11,264,028 | 1,648,059 | - | 12,912,087 |
| Sewer system | 12,947,686 | 532,429 | - | 13,480,115 |
| Wastewater treatment plant | 8,455,202 | 4,111,827 | - | 12,567,029 |
| Total capital assets being depreciated | 34,426,165 | 6,666,696 | 109,562 | 40,983,299 |
| Less accumulated depreciation for | | | | |
| Land improvements | 24,673 | 1,881 | - | 26,554 |
| Buildings, additions and improvements | 99,117 | 9,021 | 13,338 | 94,800 |
| Machinery and equipment | 703,049 | 78,772 | 71,247 | 710,574 |
| Vehicles | 176,063 | 25,418 | 17,626 | 183,855 |
| Water system | 3,849,927 | 253,633 | - | 4,103,560 |
| Sewer system | 6,307,720 | 286,739 | - | 6,594,459 |
| Wastewater treatment plant | 2,363,205 | 211,892 | - | 2,575,097 |
| Total accumulated depreciation | 13,523,754 | 867,356 | 102,211 | 14,288,899 |
| Net capital assets being depreciated | 20,902,411 | 5,799,340 | 7,351 | 26,694,400 |
| Business-type capital assets, net | \$ 26,936,801 | \$ 5,799,340 | \$ 5,765,961 | \$ 26,970,180 |

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------------|-------------|-------------------|
| Component Units | | | | |
| East Downtown Development Authority | | | | |
| Capital assets being depreciated | | | | |
| Land improvements | \$ 233,279 | \$ - | \$ - | \$ 233,279 |
| Less accumulated depreciation for Land improvements | 81,648 | 11,664 | - | 93,312 |
| East Downtown Development Authority capital assets, net | \$ 151,631 | \$ (11,664) | \$ - | \$ 139,967 |
| West Downtown Development Authority | | | | |
| Capital assets being depreciated | | | | |
| Land improvements | \$ 15,473 | \$ - | \$ - | \$ 15,473 |
| Less accumulated depreciation for Land improvements | 4,642 | 774 | - | 5,416 |
| West Downtown Development Authority capital assets, net | \$ 10,831 | \$ (774) | \$ - | \$ 10,057 |
| Total component units | \$ 162,462 | \$ (12,438) | \$ - | \$ 150,024 |

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

| | |
|---------------------------------------|-------------------|
| Governmental activities | |
| General government | \$ 35,213 |
| Public safety | 13,156 |
| Recreation and culture | 16,820 |
| Total governmental activities | 65,189 |
| Business-type activities | |
| Sewer | 574,614 |
| Water | 292,742 |
| Total business-type activities | 867,356 |
| Total primary government | \$ 932,545 |

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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 | \$ 12,438 |

Note 5 - 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 | \$ 21,428 | \$ - | \$ 7,826 | \$ 13,602 | \$ - |
| Business-type activities | | | | | |
| Bonds and notes payable | | | | | |
| General obligation bonds | | | | | |
| 2004 Sewer Revenue Refunding Bonds | \$ 760,000 | \$ - | \$ 140,000 | \$ 620,000 | \$ 145,000 |
| 2009 Wastewater Refunding Bonds | 2,565,000 | - | 335,000 | 2,230,000 | 340,000 |
| 2010 Water Revenue Bonds | 1,820,000 | - | 80,000 | 1,740,000 | 85,000 |
| 2011 Sanitary Sewer System (Phase I) | 1,057,000 | - | 15,000 | 1,042,000 | 16,000 |
| 2011 Sanitary Sewer System (Phase II) | 4,300,562 | 436,122 | 168,033 | 4,568,651 | 71,000 |
| | 10,502,562 | 436,122 | 738,033 | 10,200,651 | 657,000 |
| Less deferred amounts | | | | | |
| for issuance discounts | (37,820) | - | (3,965) | (33,855) | - |
| Total bonds payable | 10,464,742 | 436,122 | 734,068 | 10,166,796 | 657,000 |
| Compensated absences | 50,353 | - | 11,839 | 38,514 | - |
| Total business-type activities | \$ 10,515,095 | \$ 436,122 | \$ 745,907 | \$ 10,205,310 | \$ 657,000 |
| Component units | | | | | |
| General obligation bonds | | | | | |
| 1991 WDDA Series II | \$ 131,950 | \$ - | \$ 35,028 | \$ 96,922 | \$ 33,268 |
| 1991 Water/Sewer Special | 75,000 | - | 75,000 | - | - |
| | 206,950 | - | 110,028 | 96,922 | 33,268 |
| Less deferred amounts | | | | | |
| For issuance discounts | (3,800) | - | (950) | (2,850) | - |
| Total component units | \$ 203,150 | \$ - | \$ 109,078 | \$ 94,072 | \$ 33,268 |

Charter Township of Union
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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 \$145,000 to \$165,000 through November 1, 2019, with an interest rate of 5.27 percent, payable semi-annually. \$ 620,000

\$4,130,000 Wastewater Refunding Bonds Series 2009 dated August 27, 2009, due in annual installments ranging from \$340,000 to \$405,000 through April 1, 2021, with an interest rate ranging from 3.25 to 4.00 percent, payable semi-annually. 2,230,000

\$2,105,000 General Obligation Water Revenue Bonds Series 2010 dated July 21, 2010, due in annual installments ranging from \$85,000 to \$155,000 through October 1, 2030, with an interest rate ranging from 2.50 to 4.40 percent, payable semi-annually. 1,740,000

\$1,100,000 Sewer System Revenue Bonds dated November 1, 2011, due in annual installments ranging from \$13,000 to \$47,000 through May 1, 2051, with an interest rate of 3.25 percent, payable semi-annually. 1,042,000

\$1,424,5110 Sewer System Revenue Bonds dated July 17, 2013, due in annual installments ranging from \$71,000 to \$179,000 through May 1, 2051, with an interest rate of 2.75 percent, payable semi-annually. 4,568,651

\$ 10,200,651

Component Units

\$949,982 West Downtown Development Authority Bonds Series II dated August 20, 1991, due in annual installments ranging from \$31,128 to \$33,268 through August 1, 2018, with an interest rate ranging from 8.10 to 8.25 percent, payable semi-annually. \$ 96,922

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 |
| 2016 | \$ 657,000 | \$ 331,479 | \$ 33,268 | \$ 216,733 |
| 2017 | 684,000 | 310,520 | 32,526 | 232,474 |
| 2018 | 702,000 | 287,451 | 31,128 | 243,870 |
| 2019 | 729,000 | 262,579 | - | - |
| 2020 | 587,000 | 235,381 | - | - |
| 2021 - 2025 | 1,508,000 | 928,704 | - | - |
| 2026 - 2030 | 1,318,000 | 717,470 | - | - |
| 2031 - 2035 | 700,000 | 532,058 | - | - |
| 2036 - 2040 | 806,000 | 426,488 | - | - |
| 2041 - 2045 | 926,000 | 304,998 | - | - |
| 2046 - 2050 | 1,066,000 | 165,292 | - | - |
| 2051 - 2053 | 517,651 | 25,190 | - | - |
| | <u>\$ 10,200,651</u> | <u>\$ 4,527,610</u> | <u>\$ 96,922</u> | <u>\$ 693,077</u> |

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payment for unused sick and vacation time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to \$13,602 for governmental activities. Resources from the general fund will be used to liquidate this liability. The business-type activities reported a liability of \$38,514. Resources from the sewer and water funds will be used to liquidate this liability.

Charter Township of Union
Notes to the Financial Statements
December 31, 2015

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, 2015 is \$232,478.

Note 6 - 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 7 - 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, 2015, the Township's total payroll was \$1,313,169. The current year employer contribution was \$91,802. Employee contributions for the year ended December 31, 2015, totaled \$30,150.

Note 8 - 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.

The Township's zoning board of appeals (ZBA) has been named in a lawsuit. The ZBA granted a zoning variance to a property owner neighboring the plaintiff, which, the plaintiff alleges, was improperly granted. The plaintiff is seeking to have the variance revoked. The likelihood of an unfavorable outcome or the amount or range of potential loss is not estimable at this time.

Charter Township of Union
Notes to the Financial Statements
December 31, 2015

Reductions in existing taxable value due to commercial property tax appeals to Michigan Tax Tribunal have been a concern at the Township in recent years. The latest tax tribunal cases that are creating potential losses to the Township in the next fiscal year could amount to over \$30,000 in reduced revenue to the Township. The property tax amounts lost in Michigan Tax Tribunal cases are not just one time losses, but also reduces revenue in all subsequent tax years. In addition, the costs to defend the current tax base, in the form of legal fees and appraisal fees are a major concern. The Township has been negotiating with other local taxing authorities for help with expenditures relating to these tax appeals. Fortunately, the Township has been growing with new construction creating an increase in the tax base that helps to offset the losses sustained at the Michigan Tax Tribunal.

Note 9 - 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, | |
|-----------------------------|---------------------|
| 2016 | \$ 669,300 |
| 2017 | 684,000 |
| 2018 | 699,000 |
| | <u>\$ 2,052,300</u> |

Note 10 - Fund Consolidation

The Township consolidated the Construction Code Enforcement Fund into the General Fund during 2015 upon the determination that the Construction Code Enforcement Fund could not generate enough revenues to sustain the level of expenditures required. The beginning fund balance of the General Fund was restated by \$32,029, restating it from \$2,508,581 to \$2,540,610. The Construction Code Enforcement Fund was recorded in the 2014 financial statements as a major fund.

Charter Township of Union
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2015

| | Budgeted Amounts | | Actual | Actual |
|------------------------|------------------|------------------|------------------|---------------------------------|
| | Original | Final | | Over (Under) Final Budget |
| Revenues | | | | |
| Taxes | | | | |
| Property taxes | \$ 283,974 | \$ 273,974 | \$ 279,233 | \$ 5,259 |
| Other taxes | 5,250 | 5,250 | 5,161 | (89) |
| Penalties and interest | 4,050 | 4,050 | 3,254 | (796) |
| Administration fee | 141,750 | 141,750 | 143,467 | 1,717 |
| Licenses and permits | 177,505 | 253,505 | 264,179 | 10,674 |
| State revenue sharing | 995,343 | 995,343 | 1,023,216 | 27,873 |
| Charges for services | 74,250 | 84,250 | 88,705 | 4,455 |
| Fines and forfeitures | 1,500 | 1,500 | 1,357 | (143) |
| Interest income | 6,050 | 6,050 | 14,713 | 8,663 |
| Rental income | 7,450 | 7,450 | 12,250 | 4,800 |
| Other revenue | 28,575 | 18,575 | 21,980 | 3,405 |
| Sale of fixed assets | 150 | 150 | - | (150) |
| Transfers in | 50,000 | - | - | - |
| Total revenues | 1,775,847 | 1,791,847 | 1,857,515 | 65,668 |
| Expenditures | | | | |
| General government | | | | |
| Township board | 233,401 | 282,994 | 90,979 | (192,015) |
| Supervisor | 30,806 | 31,206 | 27,730 | (3,476) |
| Manager | 36,480 | 36,490 | 40,741 | 4,251 |
| Accounting | 112,954 | 128,314 | 119,115 | (9,199) |
| Clerk | 41,182 | 42,182 | 27,423 | (14,759) |
| Audit and accounting | 20,500 | 20,500 | 17,950 | (2,550) |
| Data processing | 25,000 | 37,505 | 33,766 | (3,739) |
| Board of review | 5,949 | 5,949 | 3,650 | (2,299) |

Charter Township of Union
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2015

| | Budgeted Amounts | | Actual | Actual |
|--------------------------------|------------------|----------------|----------------|---------------------------------|
| | Original | Final | | Over (Under) Final Budget |
| Treasurer | \$ 33,245 | \$ 33,935 | \$ 33,598 | \$ (337) |
| Assessor | 200,816 | 216,911 | 214,256 | (2,655) |
| Elections | 8,428 | 11,338 | 5,267 | (6,071) |
| Buildings and grounds | 58,300 | 60,700 | 47,591 | (13,109) |
| Attorney | 10,000 | 5,000 | 2,445 | (2,555) |
| Total general government | <u>817,061</u> | <u>913,024</u> | <u>664,511</u> | <u>(248,513)</u> |
| Public safety | | | | |
| Liquor law enforcement | 14,009 | 14,019 | 10,565 | (3,454) |
| Building inspection department | 275,490 | 52,353 | 48,114 | (4,239) |
| Zoning inspector | - | 61,659 | 47,180 | (14,479) |
| Rental inspections | - | 170,603 | 157,319 | (13,284) |
| Total public safety | <u>289,499</u> | <u>298,634</u> | <u>263,178</u> | <u>(35,456)</u> |
| Public works | | | | |
| Sidewalks | 125,000 | 125,000 | 120,947 | (4,053) |
| Drains | 7,500 | 7,500 | 3,132 | (4,368) |
| Highways, streets and bridges | 265,250 | 125,820 | 123,928 | (1,892) |
| Street lighting | 20,000 | 20,000 | 20,746 | 746 |
| Total public works | <u>417,750</u> | <u>278,320</u> | <u>268,753</u> | <u>(9,567)</u> |

Charter Township of Union
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2015

| | Budgeted Amounts | | Actual | Actual |
|---|---------------------|---------------------|---------------------|---------------------------------|
| | Original | Final | | Over (Under) Final Budget |
| Community and economic development | | | | |
| Planning | \$ 12,282 | \$ 20,157 | \$ 18,377 | \$ (1,780) |
| Zoning | 5,013 | 5,213 | 2,982 | (2,231) |
| Total community and economic development | 17,295 | 25,370 | 21,359 | (4,011) |
| Recreation and culture | | | | |
| Parks and recreation | 139,477 | 186,307 | 165,699 | (20,608) |
| Other functions | | | | |
| Insurance and bonds | 20,000 | 10,000 | 9,308 | (692) |
| Capital outlay | 76,625 | 80,192 | 62,899 | (17,293) |
| Transfers out | 50,000 | - | - | - |
| Total expenditures | 1,827,707 | 1,791,847 | 1,455,707 | (336,140) |
| Excess (deficiency) of revenues over expenditures | (51,860) | - | 401,808 | 401,808 |
| Fund balance - beginning of year | 2,540,610 | 2,540,610 | 2,540,610 | - |
| Fund balance - end of year | <u>\$ 2,488,750</u> | <u>\$ 2,540,610</u> | <u>\$ 2,942,418</u> | <u>\$ 401,808</u> |

Charter Township of Union
Required Supplementary Information
Budgetary Comparison Schedule
Fire Fund
For the Year Ended December 31, 2015

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|--------------------------------------|--------------------------|--------------------------|----------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 604,196 | \$ 584,196 | \$ 591,750 | \$ 7,554 |
| Charges for services | 100,530 | 100,530 | 100,940 | 410 |
| Interest income | 900 | 900 | 5,023 | 4,123 |
| | <u>705,626</u> | <u>685,626</u> | <u>697,713</u> | <u>12,087</u> |
| Expenditures | | | | |
| Current | | | | |
| Public safety | 705,626 | 685,626 | 654,902 | (30,724) |
| | <u>-</u> | <u>-</u> | <u>42,811</u> | <u>42,811</u> |
| Excess of revenues over expenditures | - | - | 42,811 | 42,811 |
| Fund balance - beginning of year | <u>999,275</u> | <u>999,275</u> | <u>999,275</u> | <u>-</u> |
| Fund balance - end of year | <u><u>\$ 999,275</u></u> | <u><u>\$ 999,275</u></u> | <u><u>\$ 1,042,086</u></u> | <u><u>\$ 42,811</u></u> |

**Charter Township of Union
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2015**

| | Special Revenue Fund | Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|----------------------------|--------------------------|--|
| | Tribal 2% | Public Improvement | |
| Assets | | | |
| Cash and cash equivalents | \$ 598,898 | \$ 45,385 | \$ 644,283 |
| Receivables | | | |
| Special assessments | - | 151,965 | 151,965 |
| Total assets | <u>\$ 598,898</u> | <u>\$ 197,350</u> | <u>\$ 796,248</u> |
| Deferred inflows of resources | | | |
| Special assessments | \$ - | \$ 151,965 | \$ 151,965 |
| Fund Balances | | | |
| Restricted | | | |
| Tribal grants | 598,898 | - | 598,898 |
| Capital projects | - | 45,385 | 45,385 |
| Total fund balances | <u>598,898</u> | <u>45,385</u> | <u>644,283</u> |
| Total deferred inflows of resources and fund balances | <u>\$ 598,898</u> | <u>\$ 197,350</u> | <u>\$ 796,248</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, 2015

| | Special Revenue Fund | Capital Projects Fund | Total Nonmajor Governmental Funds |
|----------------------------------|----------------------------|--------------------------|--|
| | Tribal 2% | Public Improvement | |
| Revenues | | | |
| Local contributions | \$ 199,664 | \$ - | \$ 199,664 |
| Interest income | 1,081 | 68 | 1,149 |
| Other revenue | - | 46,078 | 46,078 |
| Total revenues | <u>200,745</u> | <u>46,146</u> | <u>246,891</u> |
| Expenditures | | | |
| Current | | | |
| Public works | 96,136 | - | 96,136 |
| Capital outlay | - | 60,149 | 60,149 |
| Total expenditures | <u>96,136</u> | <u>60,149</u> | <u>156,285</u> |
| Net change in fund balance | 104,609 | (14,003) | 90,606 |
| Fund balance - beginning of year | <u>494,289</u> | <u>59,388</u> | <u>553,677</u> |
| Fund balance - end of year | <u>\$ 598,898</u> | <u>\$ 45,385</u> | <u>\$ 644,283</u> |

Charter Township of Union
Component Unit - East Downtown Development Authority
Balance Sheet
December 31, 2015

Assets

| | |
|------------------------------------|--------------------------------|
| Cash and cash equivalents | \$ 910,635 |
| Receivables | |
| Taxes | 101,919 |
| Customers | 267 |
| Due from other units of government | 332,933 |
| Prepaid items | <u>1,263</u> |
| Total assets | <u><u>\$ 1,347,017</u></u> |

Liabilities

| | |
|------------------|------------------|
| Accounts payable | <u>\$ 29,489</u> |
|------------------|------------------|

Deferred inflows of resources

| | |
|----------------|----------------|
| Property taxes | <u>434,784</u> |
|----------------|----------------|

Fund Balances

| | |
|-------------------------|---------------------------|
| Non-spendable | |
| Prepaid items | 1,263 |
| Restricted | |
| East DDA | <u>881,481</u> |
| Total fund balances | <u><u>882,744</u></u> |

| | |
|--|----------------------------|
| Total liabilities, deferred inflows of resources and fund balances | <u><u>\$ 1,347,017</u></u> |
|--|----------------------------|

**Charter Township of Union
East Downtown Development Authority
Reconciliation of Fund Balances of Component Unit
to Net Position of Component Unit
December 31, 2015**

Total fund balance for component unit fund \$ 882,744

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.

139,967

Net position of component unit

\$ 1,022,711

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, 2015

Revenues

| | |
|-----------------|----------------|
| Taxes | \$ 414,780 |
| Interest income | 3,608 |
| Other revenue | <u>264</u> |
| Total revenues | <u>418,652</u> |

Expenditures

| | |
|------------------------------------|--------------------------|
| Current | |
| Public safety | 61,917 |
| Community and economic development | <u>1,260,311</u> |
| Total expenditures | <u>1,322,228</u> |
| Net change in fund balance | (903,576) |
| Fund balance - beginning of year | <u>1,786,320</u> |
| Fund balance - end of year | <u><u>\$ 882,744</u></u> |

Charter Township of Union
East Downtown Development Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Component Units to the Statement of Activities
For the Year Ended December 31, 2015

Net change in fund balances - total component unit fund \$ (903,576)

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 (11,664)

Change in net position of component unit \$ (915,240)

Charter Township of Union
Component Unit - West Downtown Development Authority
Balance Sheet
December 31, 2015

| | Operating | Debt Service | Debt Service Special Assessment | Total |
|---|---------------------|------------------|---------------------------------------|---------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 646,092 | \$ 29,724 | \$ 10,421 | \$ 686,237 |
| Receivables | | | | |
| Taxes | 172,510 | - | - | 172,510 |
| Due from other units of government | 285,585 | - | - | 285,585 |
| | <u>1,104,187</u> | <u>29,724</u> | <u>10,421</u> | <u>1,144,332</u> |
| Total assets | <u>\$ 1,104,187</u> | <u>\$ 29,724</u> | <u>\$ 10,421</u> | <u>\$ 1,144,332</u> |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ - | \$ 500 | \$ 500 |
| Deferred inflows of resources | | | | |
| Property taxes | 457,813 | - | - | 457,813 |
| Fund Balances | | | | |
| Restricted | | | | |
| West DDA | 646,374 | - | - | 646,374 |
| Debt service | - | 29,724 | 9,921 | 39,645 |
| | <u>646,374</u> | <u>29,724</u> | <u>9,921</u> | <u>686,019</u> |
| Total fund balances | <u>646,374</u> | <u>29,724</u> | <u>9,921</u> | <u>686,019</u> |
| | <u>\$ 1,104,187</u> | <u>\$ 29,724</u> | <u>\$ 10,421</u> | <u>\$ 1,144,332</u> |
| Total deferred inflows of resources and fund balances | <u>\$ 1,104,187</u> | <u>\$ 29,724</u> | <u>\$ 10,421</u> | <u>\$ 1,144,332</u> |

**Charter Township of Union
West Downtown Development Authority
Reconciliation of Fund Balances of Component Unit
to Net Position of Component Unit
December 31, 2015**

| | |
|---|---------------------------------|
| Total fund balance for component unit fund | \$ 686,019 |
| 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. | 10,057 |
| Certain liabilities are not due and payable in the current period and are not reported in the funds. Accrued interest | (90,256) |
| 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 | (96,922) <u>2,850</u> |
| Net position of component unit | <u><u>\$ 511,748</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, 2015

| | Operating | Debt Service | Debt Service Special Assessment | Total |
|---|-------------------|------------------|---------------------------------------|-------------------|
| Revenues | | | | |
| Taxes | \$ 498,838 | \$ - | \$ - | \$ 498,838 |
| Interest income | 1,306 | 56 | 3,325 | 4,687 |
| Other revenue | - | - | 34,047 | 34,047 |
| Total revenues | 500,144 | 56 | 37,372 | 537,572 |
| Expenditures | | | | |
| Current | | | | |
| Public safety | 39,023 | - | - | 39,023 |
| Debt service | | | | |
| Principal retirement | - | 35,028 | 75,000 | 110,028 |
| Interest and fiscal charges | - | 205,772 | 4,904 | 210,676 |
| Total expenditures | 39,023 | 240,800 | 79,904 | 359,727 |
| Excess (deficiency) of revenues over expenditures | 461,121 | (240,744) | (42,532) | 177,845 |
| Other financing sources (uses) | | | | |
| Transfers in | - | 220,000 | - | 220,000 |
| Transfers out | (220,000) | - | - | (220,000) |
| Total other financing sources and uses | (220,000) | 220,000 | - | - |
| Net change in fund balance | 241,121 | (20,744) | (42,532) | 177,845 |
| Fund balance - beginning of year | 405,253 | 50,468 | 52,453 | 508,174 |
| Fund balance - end of year | <u>\$ 646,374</u> | <u>\$ 29,724</u> | <u>\$ 9,921</u> | <u>\$ 686,019</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, 2015**

| | |
|--|-------------------|
| Net change in fund balances - total component unit fund | \$ 177,845 |
| <p>Total change in net position reported for component unit activities in the statement of activities is different because:</p> | |
| <p>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.</p> | |
| Depreciation expense | (774) |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.</p> | |
| Special assessments | (10,588) |
| <p>Expenses are recorded when incurred in the statement of activities.</p> | |
| Accrued interest | (3,108) |
| <p>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.</p> | |
| Repayments of long-term debt | 110,028 |
| Amortization of discount | (950) |
| <u>Change in net position of component unit</u> | <u>\$ 272,453</u> |

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Management and the Board of Trustees
Charter Township of Union

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Charter Township of Union as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Charter Township of Union's basic financial statements, and have issued our report thereon dated May 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Charter Township of Union's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Charter Township of Union's internal control. Accordingly, we do not express an opinion on the effectiveness of Charter Township of Union's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charter Township of Union's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Alma, Michigan
May 20, 2016