

**Charter Township of Union**

**Financial Statements**

**December 31, 2023**



**YEO & YEO**

**BUSINESS SUCCESS  
PARTNERS**

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## Independent Auditors' Report

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

### Report on the Audit of the Financial Statements

#### Opinions

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 (the Township), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the 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 Township as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Emphasis of Matter

As described in Note 14 to the financial statements, the Township recorded a prior period adjustment to recognize the outstanding balance of a note payable. Our opinions are not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

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

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, 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 24, 2024, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Alma, Michigan  
May 24, 2024

**Charter Township of Union  
Managements' Discussion and Analysis  
Year Ended December 31, 2023**

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This section of the Charter Township of Union's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended December 31, 2023.

**FINANCIAL HIGHLIGHTS**

- The Township's combined total net position is \$38.0 million for the fiscal year ended December 31, 2023, compared to \$36.0 million last fiscal year.
- The combined total net position increased by \$2.0 million.
- In the Township's governmental activities, revenues generated \$3.8 million, while expenses were \$2.8 million.
- In the Township's business-type activities, revenues generated \$5.7 million, while expenses were \$4.4 million.
- The total revenues of all Township programs, including government and business-type activities was \$9.5 million, up \$0.4 million from last fiscal year.
- The total cost of all Township programs, including governmental and business-type activities was \$7.2 million, down \$0.8 million from last fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

**Government-wide Financial Statements**

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

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.

**Charter Township of Union  
Managements' Discussion and Analysis  
Year Ended December 31, 2023**

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**Fund Financial Statements**

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

Charter Township of Union has three types of funds:

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

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

The Township maintains 5 individual governmental funds. Separate information is provided for the General Fund, Fire Protection Fund, and the American Rescue Plan Act Fund, each of which are considered a "major" fund. Data from the 2 other governmental funds, the Public Improvement Fund and the Tribal Grants Fund, are combined into a single column labeled "non-major governmental funds".

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

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

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

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.

The Township has one Fiduciary Fund, the Tax Fund. The Tax Fund is used to track all payments related to taxes received and disbursed.

**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.



**Charter Township of Union  
Managements' Discussion and Analysis  
Year Ended December 31, 2023**

**TOWNSHIP'S SUMMARY OF NET POSITION**

The following summarizes the Township's net position at December 31, 2023 and 2022:

The Township's total combined net position for the fiscal year ended December 31, 2023 is \$38.0 million, made up of \$27.9 million in business-type activities, and \$10.1 million in governmental activities.

Combined unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, is \$14.8 million. Business-type activities unrestricted total is \$8.2 million, while the unrestricted governmental activities net asset total is \$6.6 million.

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

**Charter Township of Union Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current assets	\$ 10,698,540	\$ 11,189,457	\$ 9,279,959	\$ 8,630,345	\$ 19,978,499	\$ 19,819,802
Capital assets	2,227,698	1,814,345	25,215,563	24,767,747	27,443,261	26,582,092
Total assets	<u>12,926,238</u>	<u>13,003,802</u>	<u>34,495,522</u>	<u>33,398,092</u>	<u>47,421,760</u>	<u>46,401,894</u>
<b>Liabilities</b>						
Current liabilities	1,176,305	2,312,232	574,781	519,438	1,751,086	2,831,670
Long-term liabilities	359,645	-	5,561,178	5,787,600	5,920,823	5,787,600
Total liabilities	<u>1,535,950</u>	<u>2,312,232</u>	<u>6,135,959</u>	<u>6,307,038</u>	<u>7,671,909</u>	<u>8,619,270</u>
<b>Deferred inflows of resources</b>						
Property taxes	1,274,203	1,196,259	-	-	1,274,203	1,196,259
Leases receivable	-	-	473,789	525,872	473,789	525,872
Total deferred inflows	<u>1,274,203</u>	<u>1,196,259</u>	<u>473,789</u>	<u>525,872</u>	<u>1,747,992</u>	<u>1,722,131</u>
<b>Net position</b>						
Net investment in capital assets	2,227,698	1,814,345	19,426,385	18,759,147	21,654,083	20,573,492
Restricted	1,251,950	1,552,232	287,424	230,000	1,539,374	1,782,232
Unrestricted	6,636,437	6,128,734	8,171,965	7,576,035	14,808,402	13,704,769
Total net position	<u>\$ 10,116,085</u>	<u>\$ 9,495,311</u>	<u>\$ 27,885,774</u>	<u>\$ 26,565,182</u>	<u>\$ 38,001,859</u>	<u>\$ 36,060,493</u>

**Charter Township of Union  
Managements' Discussion and Analysis  
Year Ended December 31, 2023**

**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, 2023 and 2022:

**Governmental Activities**

Net position for governmental activities increased by \$0.6 million during the year ended December 31, 2023, compared to a \$0.7 million increase last year.

The Township's total governmental revenue is \$3.8 million in 2023, which is a \$0.7 million decrease over the prior year

Expenses for governmental activities totaled \$2.8 million, which is a \$1.0 million decrease over the prior year.

**Business-type Activities**

Net position for business-type activities increased by \$1.3 million during the year ended December 31, 2023, compared to a \$0.2 million increase last year.

Total revenue from business-type activities was \$5.7 million in 2023, which was an increase of \$1.2 million over the prior year.

Expenses for business-type activities totaled \$4.4 million, an increase of \$0.1 million from the prior year.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 588,561	\$ 577,136	\$ 4,987,445	\$ 4,508,365	\$ 5,576,006	\$ 5,085,501
Operating grants and contributions	121,038	303,786	191,138	-	312,176	303,786
Capital grants and contributions	168,000	1,064,973	-	-	168,000	1,064,973
General revenues						
Property taxes	1,305,580	1,184,630	-	-	1,305,580	1,184,630
State shared revenue	1,338,386	1,361,761	-	-	1,338,386	1,361,761
Non-specific grants and contributions	195,642	-	-	-	195,642	-
Unrestricted investment earnings	317,114	39,614	252,566	33,954	569,680	73,568
Gain on sale of capital assets	3,073	-	800	-	3,873	-
Miscellaneous	1,806	14,370	67,833	16,400	69,639	30,770
Transfers in (out)	(225,371)	-	225,371	-	-	-
Total revenues	3,813,829	4,546,270	5,725,153	4,558,719	9,538,982	9,104,989
<b>Expenses</b>						
General government	926,081	861,110	-	-	926,081	861,110
Public safety	1,164,667	1,118,171	-	-	1,164,667	1,118,171
Public works	289,687	1,432,120	-	-	289,687	1,432,120
Health and welfare	-	-	-	-	-	-
Community and economic development	274,421	265,974	-	-	274,421	265,974
Recreation and culture	116,118	104,936	-	-	116,118	104,936
Interest on long-term debt	17,479	-	-	-	17,479	-
Sewer	-	-	2,667,984	2,485,677	2,667,984	2,485,677
Water	-	-	1,736,577	1,790,310	1,736,577	1,790,310
Total expenses	2,788,454	3,782,311	4,404,561	4,275,987	7,193,015	8,058,298
Change in net position	1,025,375	763,959	1,320,592	282,732	2,345,967	1,046,691
Net position - beginning of year	9,495,311	8,731,352	26,565,182	26,282,450	36,060,493	35,013,802
Prior period adjustment	(404,601)	-	-	-	(404,601)	-
Net position - beginning of year (restated)	9,090,710	8,731,352	26,565,182	26,282,450	35,655,892	35,013,802
Net position - end of year	\$ 10,116,085	\$ 9,495,311	\$ 27,885,774	\$ 26,565,182	\$ 38,001,859	\$ 36,060,493

**Charter Township of Union  
Managements' Discussion and Analysis  
Year Ended December 31, 2023**

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**Charter Township of Union's Funds**

Analysis of the Charter Township of Union's major funds begins on page 3-3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant individual funds, not the Township as a whole. Funds are created to help manage money for specific purposes, as well as show accountability for certain activities, such as specific property tax millage and restricted receipts from federal and state sources.

The General Fund is the chief operating fund of the Township and one of three governmental funds that is considered a major fund. It pays for most of the Township's governmental services. Its major components of revenue are state shared revenue and property taxes. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6.6 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 327% of total General Fund expenditures including transfers to other funds. The fund balance of the General Fund increased by \$588,000 during the current fiscal year due to revenues being higher than expenditures.

The fund balance of the Fire Fund increased by approximately \$130,000 during the current fiscal year. The Township has a contract with the City of Mt. Pleasant for fire services. Per the contract, the Township paid the City \$830,100 for fire services in 2023.

The American Rescue Plan Act Fund was created in 2021 to separately account for Federal funding received through the American Rescue Plan Act of 2021 (ARPA). As of December 31, 2023, the Township's Board of Trustees had decided to spend part of this funding on an outdoor fitness center at McDonald Park. The amount spent in 2023 to complete this project is \$191,000. The total cost of the project was \$297,309 and includes new sidewalks installed from the fitness center, along Pickard, that lead to the Township Hall.

The Water and Sewer Funds are the Township's two major Proprietary Funds. The net position of the Sewer Fund increased by approximately \$1,041,000 during the year. The increase was due to revenues being higher than expenses for the year. The net position of the Water Fund increased by approximately \$279,000 during the year. The increase was due to costs being less than revenues for the year.

**General Fund Budgetary Highlights**

Budgets reflect the best estimates of the next year's financial events. Budget amendments are often required to adjust for unexpected events and timing differences between when events are anticipated to happen and when they occur. The statements, schedules and notes included in the financial statements' present comparisons of original budget, amended budget and actual revenues and expenditures beginning on page 4-1.

The Charter Township of Union had no issues balancing the budget in the past several years, and this year was no exception. The Township's General Fund balance continues to grow and remains financially strong with General Fund revenues increasing each year, and overall General Fund expenditures come in well under budget. The revenues in the 2023 original budget were estimated to be \$851,841 lower than expenditures. This estimated shortfall was amended to a surplus of \$91,077. The shortfall was not concerning because the General Fund has had a large surplus each year for the last 10 years that totals more than \$4.2 million, so the expected spending was from a fund balance surplus that has grown exponentially over the years.

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

**Charter Township of Union  
Managements' Discussion and Analysis  
Year Ended December 31, 2023**

begin. The General Fund budget is amended mid-year when the progress on the various projects is easier to estimate. Overall, when the 2023 budget was amended, total estimated revenues increased \$286,000 and total estimated expenditures decreased by \$649,000, changing the estimated surplus (deficit) for the year from (\$864,841) to \$71,064.

In the General Fund, each department in the fund came in under budget in 2023, with the exception of the Public Works department. The Public Works department was over budget by \$5,000. \$5,000 is minimal considering that overall, the total actual expenditures in the general fund were under budget by \$422,000 or 17%.

**CAPITAL ASSETS**

The Charter Township of Union's primary government has \$27,443,261 invested in capital assets net of depreciation. Capital assets include all tangible assets that exceed \$5,000 in value and have an expected useful life of greater than two years. Capital assets include land, land improvements, sidewalks, buildings, equipment, vehicles and sewer and water systems. The Township uses straight line depreciation ranging from three to fifty years useful life. From fiscal year 2022 to 2023, net capital assets increased \$413,353 for Governmental Activities and increased \$447,816 for Business-type Activities. Additional details of capital assets can be found in the Notes to Financial Statements beginning on page 3-22. A summary of the capital assets for the Township's primary government follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Capital assets not being depreciated						
Land	\$ 160,650	\$ 160,650	\$ 275,780	\$ 275,780	\$ 436,430	\$ 436,430
Construction in progress	39,547	168,570	1,512,361	157,301	1,551,908	325,871
Capital assets being depreciated						
Land improvements	349,809	349,809	41,964	41,964	391,773	391,773
Building & improvements	1,748,027	1,561,905	603,801	603,801	2,351,828	2,165,706
Machinery and equipment	644,938	287,402	2,409,225	2,274,932	3,054,163	2,562,334
Vehicles	634,789	538,297	927,109	890,299	1,561,898	1,428,596
Water system	-	-	13,968,056	13,941,801	13,968,056	13,941,801
Sewer system	-	-	15,693,740	15,574,691	15,693,740	15,574,691
Wastewater treatment plant	-	-	12,567,029	12,567,029	12,567,029	12,567,029
Total capital assets	3,577,760	3,066,633	47,999,065	46,327,598	51,576,825	49,394,231
Less: accumulated depreciation	(1,350,062)	(1,252,288)	(22,783,502)	(21,559,851)	(24,133,564)	(22,812,139)
Capital assets, net	<u>\$ 2,227,698</u>	<u>\$ 1,814,345</u>	<u>\$ 25,215,563</u>	<u>\$ 24,767,747</u>	<u>\$ 27,443,261</u>	<u>\$ 26,582,092</u>

**Charter Township of Union  
Managements' Discussion and Analysis  
Year Ended December 31, 2023**

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**LONG-TERM DEBT**

Bonded Debt

The majority of the Township's current debt outstanding has been issued to fund capital improvements for new water and sewer infrastructure. For the total Business-type activities, \$219,422 of the bonded debt was retired in 2023. The Business-type Activities of the Township have \$5,789,178 in outstanding bonded debt as of December 31, 2023. In addition, bond discounts were amortized \$1,579 for the year. Annual payments will continue through 2053 when the debt is paid in full.

The Governmental Activities have \$382,123 in outstanding bond debt at the end of fiscal year 2023. \$22,478 of the bonded debt was retired in 2023. This debt was issued by the Isabella County Drain Commissioner for the Mission Creek drain improvements. The Township will make annual payments to the Drain Commissioner to cover the portion of the bond that is for the value of the benefit to the Township as a whole. The annual payments will continue through 2041 when the debt is paid in full.

Compensated Absences

The compensated absences for the Township represent the amounts owed to employees for leave time earned and not used as of December 31, 2023. In the Governmental Activities (General Fund), the amounts owed were \$25,940. In the Business-type Activities (Water and Sewer Funds), the amounts owed were \$110,122. In the Governmental Activities, the liability for compensated absences increased by \$3,468 for the year. In Business-type Activities, the accrual for compensated absences decreased by \$5,698. Overall, the value of earned leave time owed to employees at December 31, 2023 that would be paid at the time of separation was \$136,062 for the Total Primary Government.

A summary of the long-term debt outstanding for the Township's primary government follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Note payable	\$ 382,123	\$ 404,601	\$ -	\$ -	\$ 382,123	\$ 404,601
General obligation bonds	-	-	5,789,178	6,008,600	5,789,178	6,008,600
Compensated absences	25,940	22,472	110,122	115,820	136,062	138,292
	<u>\$ 408,063</u>	<u>\$ 427,073</u>	<u>\$ 5,899,300</u>	<u>\$ 6,124,420</u>	<u>\$ 6,307,363</u>	<u>\$ 6,551,493</u>

**Charter Township of Union  
Managements' Discussion and Analysis  
Year Ended December 31, 2023**

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**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 remains at 2.25 mills to cover the fire services contract with the City of Mount Pleasant. Management continues to keep abreast of the possible changes to taxable values and property tax revenues from year to year. For the fiscal year 2024, we know that taxable values are increasing 5% due to inflation. The Township may receive 2% Tribal Grant funding or contributions from the East or West DDA in 2024, but the amount is unknown at this time. Interest rates are still high on CD's in 2024, so revenue from interest earned is much higher than in past years. The General Fund is on track to earn over \$300,000 in interest fiscal year 2024.

There is always uncertainty in State revenue sharing levels and for the 2024 fiscal year the uncertainty is there. In 2023, the Township's actual State shared revenue received was \$1,313,467 and that amount was about 50% of total General Fund revenues. The Township budgets for the last several fiscal years were prepared conservatively when estimating revenue sharing proceeds, so when the 2024 original budget was prepared, the estimate was \$1,280,000. Management is aware that the budget for revenue sharing may need to be amended up or down depending on actual payments received. The revenue sharing amount received for the first two months in 2024 is \$206,178. This amount is 5% higher than the same two month period the year before in 2023.

State shared sales tax revenue is made up of two components: the constitutional component and the statutory portion.

The constitutional component is 13% of the gross collections of the 6% State sales tax. This portion cannot be adjusted by the legislature, but the amount of sales tax collected in the State of Michigan affects the amount of revenue sharing the Township will receive. Going forward, sales tax collections could be lower or higher, it is difficult to determine. The population of the Township is used to calculate the constitutional portion of the revenue sharing received. According to the 2020 Census, population in the Township decreased from 12,927 to 11,692 compared to the 2010 Census. This change in population affects the revenue sharing received from the State in 2024. Management has taken this into consideration when calculating estimates for the 2024 General Fund budget.

The Township became eligible for the statutory portion of the State's revenue sharing in fiscal year 2014. The statutory revenue sharing to the Township is approximately \$52,000 in fiscal year 2024. To receive the statutory revenue sharing, the municipality must embrace accountability and transparency and publish a performance "dashboard" that is readily available to the public. This "dashboard" is full of financial information and other statistical information about the Township. It can be found on the Township's website on the Accounting Department tab. The Township has consistently met the requirements to receive the statutory revenue sharing each year. Management anticipates qualifying for next year's funding, but State funding for this statutory portion is always uncertain.

Total expenditures in the General Fund for the next fiscal year are estimated to be \$3.3 million. Included in those expenditures are contributions to the Isabella County Road Commission for road maintenance in the amount of \$245,000 for an upgrade to Lincoln Road from Deerfield Road to Deerfield Rd, to improve four miles of gravel roads, and three brine applications to gravel roads. \$955,000 is in the budget for sidewalks in the Township. The planned sidewalks are: Construction of new sidewalks along the north side of Pickard Road from Ashland Dr. to Lincoln Rd, construction of sidewalk ramps and pedestrian crossing at the Lincoln/Pickard intersection, sidewalk construction on the remaining sections of Broomfield and Bluegrass Roads, and a sidewalk connector project on Deerfield Rd to Denison Drive connecting to Central Michigan University.

There is nothing in the General Fund budget for Capital Outlay in 2024.

**Charter Township of Union  
Managements' Discussion and Analysis  
Year Ended December 31, 2023**

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The American Rescue Plan Act of 2021 (ARPA) was signed into law on March 11, 2021. ARPA is a program offered by the Federal Government which is providing \$350 billion in additional funding for state and local governments. In 2021, the Township received \$717,032 from the Federal Government's ARPA funding. The Township received an additional \$722,788 in ARPA funding in fiscal year 2022. This funding is considered a replacement for revenue the Township lost due to COVID-19. The revenue will not be recorded in the fund until both of the following occur: 1) an award has been executed and 2) eligible expenditures are incurred. The funding must be obligated by December 31, 2024 and expended by December 31, 2026. The Township has a special Fund titled ARPA to track the revenue and expenditures separately from the other funds. In 2023, the Township decided to combine the ARPA Fund with the General Fund for reporting purposes in fiscal year 2024.

Overall, the Township has a good, strong financial position in the General Fund and all other funds. Township management is looking forward to the future and making the Township a better place in which to live and work.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances. If you have questions about this report or would like additional information, contact the Township finance office at 989-772-4600. Additional information can also be obtained at the Township's website, [www.uniontownshipmi.com](http://www.uniontownshipmi.com).

**Charter Township of Union**  
**Statement of Net Position**  
**December 31, 2023**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 9,273,903	\$ 7,314,045	\$ 16,587,948	\$ 3,217,120
Receivables				
Accounts	23,145	1,114,881	1,138,026	-
Taxes	813,925	-	813,925	237,286
Special assessments	77,250	-	77,250	-
Leases receivable	-	473,789	473,789	-
Due from other units of government	217,057	-	217,057	765,287
Internal balances	2,582	(2,582)	-	-
Prepaid items	290,678	92,402	383,080	2,206
Assets held for sale	-	-	-	32,557
Restricted assets				
Cash and cash equivalents	-	287,424	287,424	-
Capital assets not being depreciated	200,197	1,788,141	1,988,338	197,697
Capital assets, net of accumulated depreciation	<u>2,027,501</u>	<u>23,427,422</u>	<u>25,454,923</u>	<u>555,562</u>
 Total assets	 <u>12,926,238</u>	 <u>34,495,522</u>	 <u>47,421,760</u>	 <u>5,007,715</u>
<b>Liabilities</b>				
Accounts payable	69,132	176,696	245,828	5,789
Payroll and other liabilities	32,704	45,341	78,045	-
Interest payable	5,701	14,622	20,323	-
Unearned revenue	1,020,350	-	1,020,350	-
Noncurrent liabilities				
Debt due within one year	48,418	338,122	386,540	-
Debt due in more than one year	359,645	5,561,178	5,920,823	-
Total liabilities	<u>1,535,950</u>	<u>6,135,959</u>	<u>7,671,909</u>	<u>5,789</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue - taxes	1,274,203	-	1,274,203	1,002,573
Lease related	-	473,789	473,789	-
Total deferred inflows of resources	<u>1,274,203</u>	<u>473,789</u>	<u>1,747,992</u>	<u>1,002,573</u>
<b>Net position</b>				
Net investment in capital assets	2,227,698	19,426,385	21,654,083	753,259
Restricted for				
Fire	1,140,433	-	1,140,433	-
Tribal grants	34,267	-	34,267	-
Bond required reserves	-	287,424	287,424	-
Unrestricted	<u>6,713,687</u>	<u>8,171,965</u>	<u>14,885,652</u>	<u>3,246,094</u>
 Total net position	 <u>\$ 10,116,085</u>	 <u>\$ 27,885,774</u>	 <u>\$ 38,001,859</u>	 <u>\$ 3,999,353</u>

See Accompanying Notes to the Financial Statements



**Charter Township of Union**  
**Statement of Activities**  
**For the Year Ended December 31, 2023**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>Functions/programs</b>								
<b>Primary government</b>								
Governmental activities								
General government	\$ 926,081	\$ 441,504	\$ -	\$ 168,000	\$ (316,577)	\$ -	\$ (316,577)	\$ -
Public safety	1,164,667	145,424	21,038	-	(998,205)	-	(998,205)	-
Public works	289,687	1,633	100,000	-	(188,054)	-	(188,054)	-
Community and economic development	274,421	-	-	-	(274,421)	-	(274,421)	-
Recreation and culture	116,118	-	-	-	(116,118)	-	(116,118)	-
Interest and fiscal charges on long-term debt	17,479	-	-	-	(17,479)	-	(17,479)	-
<b>Total governmental activities</b>	<b>2,788,454</b>	<b>588,561</b>	<b>121,038</b>	<b>168,000</b>	<b>(1,910,855)</b>	<b>-</b>	<b>(1,910,855)</b>	<b>-</b>
Business-type activities								
Sewer	2,667,984	3,193,366	160,000	-	-	685,382	685,382	-
Water	1,736,577	1,794,079	31,138	-	-	88,640	88,640	-
<b>Total business-type activities</b>	<b>4,404,561</b>	<b>4,987,445</b>	<b>191,138</b>	<b>-</b>	<b>-</b>	<b>774,022</b>	<b>774,022</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 7,193,015</b>	<b>\$ 5,576,006</b>	<b>\$ 312,176</b>	<b>\$ 168,000</b>	<b>(1,910,855)</b>	<b>774,022</b>	<b>(1,136,833)</b>	<b>-</b>
<b>Component units</b>								
East Downtown Development Authority	\$ 502,539	\$ -	\$ -	\$ -	-	-	-	(502,539)
West Downtown Development Authority	105,531	-	-	-	-	-	-	(105,531)
<b>Total component units</b>	<b>\$ 608,070</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>				<b>(608,070)</b>
General revenues								
Property taxes					1,305,580	-	1,305,580	930,800
Unrestricted state-shared revenue					1,338,386	-	1,338,386	-
Grants and contributions not restricted to specific program:					195,642	-	195,642	71,661
Unrestricted investment earnings					317,114	252,566	569,680	105,044
Gain on sale of capital assets					3,073	800	3,873	-
Miscellaneous					1,806	67,833	69,639	-
Transfers					(225,371)	225,371	-	-
<b>Total general revenues and transfers</b>					<b>2,936,230</b>	<b>546,570</b>	<b>3,482,800</b>	<b>1,107,505</b>
Change in net position					1,025,375	1,320,592	2,345,967	499,435
Net position - beginning of year					9,495,311	26,565,182	36,060,493	3,499,918
Prior period adjustment					(404,601)	-	(404,601)	-
Net position - beginning of year, as restated					9,090,710	26,565,182	35,655,892	3,499,918
Net position - end of year					<b>\$ 10,116,085</b>	<b>\$ 27,885,774</b>	<b>\$ 38,001,859</b>	<b>\$ 3,999,353</b>

See Accompanying Notes to the Financial Statements

**Charter Township of Union**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2023**

	Special Revenue Funds				Total Governmental Funds
	General	Fire	American Rescue Plan Act	Nonmajor Governmental Funds	
<b>Assets</b>					
Cash and cash equivalents	\$ 6,684,560	\$ 1,216,745	\$ 1,020,350	\$ 352,248	\$ 9,273,903
Receivables					
Accounts	23,145	-	-	-	23,145
Taxes	308,811	505,114	-	-	813,925
Special assessments	-	-	-	77,250	77,250
Due from other units of government	217,057	-	-	-	217,057
Due from other funds	2,582	-	-	-	2,582
Prepaid items	81,078	209,600	-	-	290,678
	<u>7,317,233</u>	<u>1,931,459</u>	<u>1,020,350</u>	<u>429,498</u>	<u>10,698,540</u>
<b>Total assets</b>	<b>\$ 7,317,233</b>	<b>\$ 1,931,459</b>	<b>\$ 1,020,350</b>	<b>\$ 429,498</b>	<b>\$ 10,698,540</b>
<b>Liabilities</b>					
Accounts payable	\$ 67,272	\$ 1,860	\$ -	\$ -	\$ 69,132
Payroll and other liabilities	32,704	-	-	-	32,704
Unearned revenue	-	-	1,020,350	-	1,020,350
	<u>99,976</u>	<u>1,860</u>	<u>1,020,350</u>	<u>-</u>	<u>1,122,186</u>
<b>Total liabilities</b>	<b>99,976</b>	<b>1,860</b>	<b>1,020,350</b>	<b>-</b>	<b>1,122,186</b>
<b>Deferred inflows of resources</b>					
Unavailable revenue - taxes	485,037	789,166	-	77,250	1,351,453
<b>Fund balances</b>					
Non-spendable					
Prepaid items	81,078	209,600	-	-	290,678
Restricted for					
Fire	-	930,833	-	-	930,833
Tribal grants	-	-	-	34,267	34,267
Assigned					
Future fiscal year budget	23,659	-	-	-	23,659
Capital projects	-	-	-	317,981	317,981
Unassigned	6,627,483	-	-	-	6,627,483
	<u>6,732,220</u>	<u>1,140,433</u>	<u>-</u>	<u>352,248</u>	<u>8,224,901</u>
<b>Total fund balances</b>	<b>6,732,220</b>	<b>1,140,433</b>	<b>-</b>	<b>352,248</b>	<b>8,224,901</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 7,317,233</b>	<b>\$ 1,931,459</b>	<b>\$ 1,020,350</b>	<b>\$ 429,498</b>	<b>\$ 10,698,540</b>

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, 2023**

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<b>Total fund balances for governmental funds</b>	<b>\$ 8,224,901</b>
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	200,197
Capital assets, net of accumulated depreciation	2,027,501
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	
	77,250
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.	
Accrued interest	(5,701)
Compensated absences	(25,940)
Bonds, notes, premiums and discounts	<u>(382,123)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 10,116,085</u></b>

**Charter Township of Union**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended December 31, 2023**

	Special Revenue Funds				Total Governmental Funds
	General	Fire	American Rescue Plan Act	Nonmajor Governmental Funds	
<b>Revenues</b>					
Taxes	\$ 531,096	\$ 754,504	\$ -	\$ -	\$ 1,285,600
Licenses and permits	234,883	-	-	-	234,883
Federal grants	-	-	191,001	-	191,001
State grants	1,343,027	21,038	-	-	1,364,065
Local contributions	-	-	-	100,000	100,000
Charges for services	195,942	145,424	-	-	341,366
Fines and forfeitures	930	-	-	-	930
Rental income	9,749	-	-	-	9,749
Investment income	264,941	42,595	-	9,578	317,114
Other revenue	21,786	-	-	27,940	49,726
<b>Total revenues</b>	<b>2,602,354</b>	<b>963,561</b>	<b>191,001</b>	<b>137,518</b>	<b>3,894,434</b>
<b>Expenditures</b>					
Current					
General government	758,252	-	-	-	758,252
Public safety	307,109	831,702	-	-	1,138,811
Public works	289,306	-	-	-	289,306
Community and economic development	274,040	-	-	-	274,040
Recreation and culture	105,111	-	-	-	105,111
Capital outlay	258,766	-	191,001	-	449,767
Debt service					
Principal retirement	22,478	-	-	-	22,478
Interest and fiscal charges	11,778	-	-	-	11,778
<b>Total expenditures</b>	<b>2,026,840</b>	<b>831,702</b>	<b>191,001</b>	<b>-</b>	<b>3,049,543</b>
Excess (deficiency) of revenues over expenditures	575,514	131,859	-	137,518	844,891
<b>Other financing sources (uses)</b>					
Transfers in	7,013	-	-	-	7,013
Transfers out	-	-	(7,013)	(225,371)	(232,384)
Sale of capital assets	5,500	-	-	-	5,500
<b>Total other financing sources (uses)</b>	<b>12,513</b>	<b>-</b>	<b>(7,013)</b>	<b>(225,371)</b>	<b>(219,871)</b>
Net change in fund balances	588,027	131,859	(7,013)	(87,853)	625,020
Fund balances - beginning of year	6,144,193	1,008,574	7,013	440,101	7,599,881
Fund balances - end of year	\$ 6,732,220	\$ 1,140,433	\$ -	\$ 352,248	\$ 8,224,901

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, 2023**

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<b>Net change in fund balances - total governmental funds</b>	\$	625,020
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		(103,912)
Capital outlay		351,692
Donations of capital assets from component unit		168,000
Sale of capital assets (net book value)		(2,427)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		(26,307)
Expenses are recorded when incurred in the statement of activities.		
Accrued interest		(5,701)
Compensated absences		(3,468)
Long-term liabilities and related transactions applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.		
Repayments of long-term debt		<u>22,478</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>1,025,375</u></b>

**Charter Township of Union**  
**Proprietary Funds**  
**Statement of Net Position**  
**December 31, 2023**

	Enterprise Funds		
	Sewer	Water	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 3,559,633	\$ 3,754,412	\$ 7,314,045
Receivables			
Accounts	730,238	384,643	1,114,881
Leases receivable, current	-	53,805	53,805
Due from other funds	-	50	50
Prepaid items	<u>51,756</u>	<u>40,646</u>	<u>92,402</u>
Total current assets	<u>4,341,627</u>	<u>4,233,556</u>	<u>8,575,183</u>
Noncurrent assets			
Restricted assets			
Cash and cash equivalents			
USDA Repair, replacement & improvement (RRI)	18,712	-	18,712
USDA Bond reserve	268,712	-	268,712
Leases receivable, long-term	-	419,984	419,984
Capital assets not being depreciated	1,356,830	431,311	1,788,141
Capital assets, net of accumulated depreciation	<u>15,258,635</u>	<u>8,168,787</u>	<u>23,427,422</u>
Total noncurrent assets	<u>16,902,889</u>	<u>9,020,082</u>	<u>25,922,971</u>
Total assets	<u>21,244,516</u>	<u>13,253,638</u>	<u>34,498,154</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	108,977	67,719	176,696
Due to other funds	1,116	1,516	2,632
Payroll and other liabilities	24,801	20,540	45,341
Interest payable	4,800	9,822	14,622
Compensated absences	55,909	54,213	110,122
Current portion of long-term liabilities	<u>108,000</u>	<u>120,000</u>	<u>228,000</u>
Total current liabilities	303,603	273,810	577,413
Noncurrent liabilities			
Long-term liabilities	<u>4,735,651</u>	<u>825,527</u>	<u>5,561,178</u>
Total liabilities	<u>5,039,254</u>	<u>1,099,337</u>	<u>6,138,591</u>
<b>Deferred inflows of resources</b>			
Lease related	<u>-</u>	<u>473,789</u>	<u>473,789</u>
<b>Net position</b>			
Net investment in capital assets	11,771,814	7,654,571	19,426,385
Restricted for			
Bond required reserves	287,424	-	287,424
Unrestricted	<u>4,146,024</u>	<u>4,025,941</u>	<u>8,171,965</u>
Total net position	<u>\$ 16,205,262</u>	<u>\$ 11,680,512</u>	<u>\$ 27,885,774</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, 2023**

	Enterprise Funds		
	Sewer	Water	Total
<b>Operating revenue</b>			
Customer fees	\$ 2,913,416	\$ 1,662,335	\$ 4,575,751
Connection fees	279,950	131,744	411,694
Rental income	-	58,627	58,627
Other revenue	3,103	6,103	9,206
	<u>3,196,469</u>	<u>1,858,809</u>	<u>5,055,278</u>
<b>Operating expenses</b>			
Personnel services	867,133	731,754	1,598,887
Supplies	214,245	95,042	309,287
Contractual services	162,214	89,770	251,984
Utilities	261,082	152,213	413,295
Repairs and maintenance	140,438	97,473	237,911
Other expenses	79,654	91,307	170,961
Depreciation	804,613	433,944	1,238,557
	<u>2,529,379</u>	<u>1,691,503</u>	<u>4,220,882</u>
Operating income (loss)	<u>667,090</u>	<u>167,306</u>	<u>834,396</u>
<b>Nonoperating revenue (expenses)</b>			
State grants	-	31,138	31,138
Local contributions	160,000	-	160,000
Investment income	127,314	125,252	252,566
Gain on sale of capital assets	400	400	800
Interest expense	(138,605)	(45,074)	(183,679)
	<u>149,109</u>	<u>111,716</u>	<u>260,825</u>
Total nonoperating revenues (expenses)	<u>149,109</u>	<u>111,716</u>	<u>260,825</u>
Income (loss) before contributions and transfers	816,199	279,022	1,095,221
Transfers in	<u>225,371</u>	<u>-</u>	<u>225,371</u>
Change in net position	1,041,570	279,022	1,320,592
Net position - beginning of year	<u>15,163,692</u>	<u>11,401,490</u>	<u>26,565,182</u>
Net position - end of year	<u>\$ 16,205,262</u>	<u>\$ 11,680,512</u>	<u>\$ 27,885,774</u>

See Accompanying Notes to the Financial Statements

**Charter Township of Union**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2023**

	Enterprise Funds		
	Sewer	Water	Total
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 3,140,244	\$ 1,833,241	\$ 4,973,485
Payments to other funds	1,119	1,339	2,458
Payments to suppliers	(829,526)	(520,838)	(1,350,364)
Payments to employees	(869,278)	(735,307)	(1,604,585)
Net cash provided (used) by operating activities	<u>1,442,559</u>	<u>578,435</u>	<u>2,020,994</u>
<b>Cash flows from noncapital financing activities</b>			
Transfer from other funds	225,371	-	225,371
Local contribution	160,000	-	160,000
State grant	-	31,138	31,138
Net cash provided (used) by noncapital financing activities	<u>385,371</u>	<u>31,138</u>	<u>416,509</u>
<b>Cash flows from capital and related financing activities</b>			
Purchases/construction of capital assets	(1,219,746)	(466,627)	(1,686,373)
Principal and interest paid on long-term debt	(244,712)	(159,569)	(404,281)
Proceeds from sale of capital assets	400	400	800
Net cash provided (used) by capital and related financing activities	<u>(1,464,058)</u>	<u>(625,796)</u>	<u>(2,089,854)</u>
<b>Cash flows from investing activities</b>			
Interest received	129,315	127,226	256,541
Net change in cash and cash equivalents	493,187	111,003	604,190
Cash and cash equivalents - beginning of year	<u>3,353,870</u>	<u>3,643,409</u>	<u>6,997,279</u>
Cash and cash equivalents - end of year	<u>\$ 3,847,057</u>	<u>\$ 3,754,412</u>	<u>\$ 7,601,469</u>
<b>Reconciliation to statement of net position</b>			
Cash and cash equivalents	\$ 3,559,633	\$ 3,754,412	\$ 7,314,045
Restricted cash and cash equivalents	287,424	-	287,424
Cash and cash equivalents - end of year	<u>\$ 3,847,057</u>	<u>\$ 3,754,412</u>	<u>\$ 7,601,469</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ 667,090	\$ 167,306	\$ 834,396
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	804,613	433,944	1,238,557
Changes in assets and liabilities			
Receivables (net)	(56,225)	26,515	(29,710)
Due from other funds	56	(50)	6
Prepaid items	(13,211)	(8,936)	(22,147)
Accounts payable	40,900	13,636	54,536
Accrued and other liabilities	418	267	685
Due to other funds	1,063	1,389	2,452
Compensated absences	(2,145)	(3,553)	(5,698)
Lease related deferred inflows of resources	-	(52,083)	(52,083)
Net cash provided (used) by operating activities	<u>\$ 1,442,559</u>	<u>\$ 578,435</u>	<u>\$ 2,020,994</u>

See Accompanying Notes to the Financial Statements



**Charter Township of Union**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**December 31, 2023**

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	Custodial Fund
	Current Tax Collection
<b>Assets</b>	
Cash and cash equivalents	\$ 4,461,376
Due from other units of government	119
Total assets	4,461,495
<b>Liabilities</b>	
Due to other units of government	4,461,495
<b>Net position</b>	
Restricted for:	
Individuals, organizations and other governments	\$ -

**Charter Township of Union**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended December 31, 2023**

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	Custodial Fund
	Current Tax Collection
<b>Additions</b>	
Property tax collections for other governments	\$ 15,091,552
<b>Deductions</b>	
Payments of property tax to other governments	15,091,552
Change in net position	-
Net position - beginning of year	-
Net position - end of year	\$ -

**Charter Township of Union**  
**Component Units**  
**Statement of Net Position**  
**December 31, 2023**

	East Downtown Development Authority	West Downtown Development Authority	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 2,009,772	\$ 1,207,348	\$ 3,217,120
Receivables			
Taxes	61,904	175,382	237,286
Due from other units of government	498,260	267,027	765,287
Prepaid items	2,206	-	2,206
Assets held for sale	32,557	-	32,557
	<u>2,604,699</u>	<u>1,649,757</u>	<u>4,254,456</u>
Total current assets			
Noncurrent assets			
Capital assets not being depreciated	197,697	-	197,697
Capital assets, net of accumulated depreciation	53,000	502,562	555,562
	<u>250,697</u>	<u>502,562</u>	<u>753,259</u>
Total noncurrent assets			
	<u>2,855,396</u>	<u>2,152,319</u>	<u>5,007,715</u>
Total assets			
<b>Liabilities</b>			
Current liabilities			
Accounts payable	5,789	-	5,789
<b>Deferred inflows of resources</b>			
Unavailable revenue - taxes	560,164	442,409	1,002,573
<b>Net position</b>			
Net investment in capital assets	250,697	502,562	753,259
Unrestricted	2,038,746	1,207,348	3,246,094
	<u>2,289,443</u>	<u>1,709,910</u>	<u>3,999,353</u>
Total net position			

See Accompanying Notes to the Financial Statements

**Charter Township of Union**  
**Component Units**  
**Statement of Activities**  
**For the Year Ended December 31, 2023**

	East Downtown Development Authority	West Downtown Development Authority	Total
<b>Expenses</b>			
Public safety	\$ 79,658	\$ 65,766	\$ 145,424
Community and economic development	<u>422,881</u>	<u>39,765</u>	<u>462,646</u>
Total expenses	<u>502,539</u>	<u>105,531</u>	<u>608,070</u>
<b>General revenues</b>			
Property taxes	516,940	413,860	930,800
Grants and contributions not restricted to specific programs	69,776	1,885	71,661
Unrestricted investment earnings	<u>65,903</u>	<u>39,141</u>	<u>105,044</u>
Total general revenues	<u>652,619</u>	<u>454,886</u>	<u>1,107,505</u>
Change in net position	150,080	349,355	499,435
Net position - beginning of year	<u>2,139,363</u>	<u>1,360,555</u>	<u>3,499,918</u>
Net position - end of year	<u>\$ 2,289,443</u>	<u>\$ 1,709,910</u>	<u>\$ 3,999,353</u>

See Accompanying Notes to the Financial Statements

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2023**

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**Note 1 - Summary of Significant Accounting Policies**

**Reporting Entity**

The Charter Township of Union, Michigan (the Township) 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 highways, streets, and bridges, and community enrichment.

The accompanying financial statements present the Township 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 government-wide financial statements include 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 it is legally separate from the Township. The members of the Governing Board of the Downtown Development Authorities, referred to as the Economic Development Authority, are appointed by the Board of Trustees. The budgets and expenditures of the Downtown Development Authorities must be approved by the Board of Trustees. The Township also has the ability to significantly influence operations of the Downtown Development Authorities. The Downtown Development Authorities do not issue any other financial statements except as contained in the Charter Township of Union annual financial statements.

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

**Joint venture**

The Mid-Michigan Aquatic Recreational Authority (the "Authority") is a joint venture between the Township, the City of Mt. Pleasant and the Mt. Pleasant Public School District. The governing Board is comprised of five to seven members consisting of two members appointed by each the Township and the City of Mt. Pleasant and one member appointed by the Mt. Pleasant Public School District. The Authority Board may also appoint two additional at large members. The provisions of the agreement do not explicitly state equity interest. In the event the Township withdraws from the Authority the Township is liable for a proportion of the debts and liabilities of the Authority incurred while the Township was a part of the Authority. The Authority has not yet undergone an audit as it's still in preliminary phases, however, unaudited financial statements are available by contacting the Authority's board at [info@midmichiganaquatics.com](mailto:info@midmichiganaquatics.com).

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental 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

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2023**

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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.

**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 Township 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 Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for resources used to provide fire services to residents of the Township and the surrounding area.

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

The Township reports the following major proprietary funds:

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

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

Additionally, the Township reports the following:

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

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2023**

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

The Custodial Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

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 Township 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 the 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 Fund Balance**

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

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The Township considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Although the Township's 2023 tax is levied and collectible on December 1, 2023, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of Township operations. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The 2022 taxable valuation of the government totaled \$400,166,783, on which ad valorem taxes consisted of 1.000 mills for operating purposes and 2.250 for fire services. This resulted in \$400,427 for operating expenses and \$900,973 for fire services, exclusive of East Downtown Development and West Downtown Development tax captures, as well as any Michigan Tax Tribunal or Board of Review adjustments.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the Township follows the consumption method, and they therefore are capitalized as prepaid items in both entity-wide and fund financial statements.

Restricted assets – Certain bonds of the Enterprise Funds require amounts to be set aside for a bond reserve and future operations and maintenance. The Township has incurred and reported eligible expenses, reducing the reserve for future operations and maintenance to zero. The balance for the bond reserve has been classified as restricted cash.

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2023**

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

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

Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and sewer lines	50 to 75 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	3 to 7 years

Compensated absences – It is the Township’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Policies are as follows:

Employees hired on or before December 31, 2014, who give proper resignation after 20 years of service will be paid for 50% of their accumulated but unused sick leave days.

Employees whose employment relationship with the Township ends receive pay for earned and credited, but unused vacation leave if the employee retires in accordance with the retirement plan in effect or if the employee resigns from employment and a minimum of 2 weeks advance written notice is given to the Township.

Vacation and sick pay are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.



**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2023**

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Deferred inflows of resources – A deferred inflow of resources represents an acquisition of net assets by the Township that applies to future periods. The Township may report deferred inflows of resources as a result of the following:

- Unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.
- Lease revenue related to leases receivable which is being amortized to recognize lease revenue in a systematic and rational manner over the term of the lease.

Fund Balances – In the fund financial statements, governmental funds report fund balances 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 for usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absences of such a policy, resources with the highest level of restriction will be used first.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Adoption of New Accounting Standards**

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

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2023**

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**Upcoming Accounting and Reporting Changes**

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

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

Statement No. 102, *Certain Risk Disclosures*, requires organizations to provide users of the financial statements with essential information about risks related to the organization's vulnerabilities due to certain concentrations or constraints. This statement is effective for the year ending December 31, 2025.

The Township is evaluating the impact that the above GASB statements will have on its financial reporting.

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information**

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 2 of 1968, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to December 31, the Township Manager submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. Public hearings are held to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to December 31.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Manager is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Board of Trustees.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

**State Construction Code Act**

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

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

Shortfall at January 1, 2023	\$ (1,746,826)
Current year building permit revenue	315,978
Related expenditures	(581,149)
Cumulative shortfall at December 31, 2023	<u>\$ (2,011,997)</u>

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2023**

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**Note 3 - Deposits and Investments**

At year end the Township's deposits and investments were reported in the financial statements in the following categories:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Total
Governmental activities	\$ 9,273,903	\$ -	\$ 9,273,903
Business-type activities	<u>7,314,045</u>	<u>287,424</u>	<u>7,601,469</u>
Total	16,587,948	287,424	16,875,372
Fiduciary funds	4,461,376	-	4,461,376
Component unit	<u>3,217,120</u>	<u>-</u>	<u>3,217,120</u>
Total	<u>\$ 24,266,444</u>	<u>\$ 287,424</u>	<u>\$ 24,553,868</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Unit	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 16,874,872	\$ 4,461,376	\$ 3,217,120	\$ 24,553,368
Petty cash and cash on hand	<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>
	<u>\$ 16,875,372</u>	<u>\$ 4,461,376</u>	<u>\$ 3,217,120</u>	<u>\$ 24,553,868</u>

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

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

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

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2023**

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*Concentration of credit risk* – The Township 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, \$23,709,793 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Note 4 - Leases Receivable**

The Township has two significant agreements leasing Township water tower space for use by cell phone service providers. It is the Township's intent to exercise all renewals available in both agreements. The Township recognized \$52,083 in lease revenue and \$6,528 in related interest income for the year ended December 31, 2023.

The first lease commenced in November 1998 and, according to the most recent amendment, will automatically renew in 5 years terms through November 2033 unless the lessee notifies the lessor in writing of the lessee's intention not to extend the agreement at least 60 days prior to the expiration of any term. Payments increase by 2.75% each year. Beginning the next extension term, payments are subject to increase based on the Consumer Price Index, but limited to no more than a 3% increase in the next extension term and 3.25% in the following extension term. Future monthly payments range from \$3,295 to \$4,094 with an imputed interest rate of 1.30%.

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

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2023**

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**Note 5 - Capital Assets**

Capital assets activity of the primary government for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 160,650	\$ -	\$ -	\$ 160,650
Construction-in-progress	168,570	204,399	333,422	39,547
Total capital assets not being depreciated	329,220	204,399	333,422	200,197
Capital assets being depreciated				
Land improvements	349,809	-	-	349,809
Buildings, additions and improvements	1,561,905	186,122	-	1,748,027
Machinery and equipment	287,402	366,101	8,565	644,938
Vehicles	538,297	96,492	-	634,789
Total capital assets being depreciated	2,737,413	648,715	8,565	3,377,563
Less accumulated depreciation for				
Land improvements	324,072	3,398	-	327,470
Buildings, additions and improvements	533,807	57,750	-	591,557
Machinery and equipment	251,776	12,127	6,138	257,765
Vehicles	142,633	30,637	-	173,270
Total accumulated depreciation	1,252,288	103,912	6,138	1,350,062
Net capital assets being depreciated	1,485,125	544,803	2,427	2,027,501
Governmental activities net capital assets	\$ 1,814,345	\$ 749,202	\$ 335,849	\$ 2,227,698

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2023**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 275,780	\$ -	\$ -	\$ 275,780
Construction-in-progress	<u>157,301</u>	<u>1,364,169</u>	<u>9,109</u>	<u>1,512,361</u>
Total capital assets not being depreciated	<u>433,081</u>	<u>1,364,169</u>	<u>9,109</u>	<u>1,788,141</u>
Capital assets being depreciated				
Land improvements	41,964	-	-	41,964
Buildings, additions and improvements	603,801	-	-	603,801
Machinery and equipment	2,274,932	134,293	-	2,409,225
Vehicles	890,299	51,716	14,906	927,109
Water system	13,941,801	26,255	-	13,968,056
Sewer system	15,574,691	119,049	-	15,693,740
Wastewater treatment plant	<u>12,567,029</u>	<u>-</u>	<u>-</u>	<u>12,567,029</u>
Total capital assets being depreciated	<u>45,894,517</u>	<u>331,313</u>	<u>14,906</u>	<u>46,210,924</u>
Less accumulated depreciation for				
Land improvements	35,917	1,209	-	37,126
Buildings, additions and improvements	164,878	23,081	-	187,959
Machinery and equipment	1,487,658	159,941	-	1,647,599
Vehicles	300,428	45,979	14,906	331,501
Water system	6,218,866	330,623	-	6,549,489
Sewer system	8,870,104	405,309	-	9,275,413
Wastewater treatment plant	<u>4,482,000</u>	<u>272,415</u>	<u>-</u>	<u>4,754,415</u>
Total accumulated depreciation	<u>21,559,851</u>	<u>1,238,557</u>	<u>14,906</u>	<u>22,783,502</u>
Net capital assets being depreciated	<u>24,334,666</u>	<u>(907,244)</u>	<u>-</u>	<u>23,427,422</u>
Business-type capital assets, net	<u>\$ 24,767,747</u>	<u>\$ 456,925</u>	<u>\$ 9,109</u>	<u>\$ 25,215,563</u>

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2023**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Component Units</b>				
<u>East Downtown Development Authority</u>				
Capital assets not being depreciated				
Land	\$ 197,697	\$ -	\$ -	\$ 197,697
Capital assets being depreciated				
Land improvements	240,328	-	-	240,328
Less accumulated depreciation for				
Land improvements	<u>175,311</u>	<u>12,017</u>	<u>-</u>	<u>187,328</u>
Net capital assets being depreciated	<u>65,017</u>	<u>(12,017)</u>	<u>-</u>	<u>53,000</u>
East Downtown Development Authority capital assets, net	<u>\$ 262,714</u>	<u>\$ (12,017)</u>	<u>\$ -</u>	<u>\$ 250,697</u>
<u>West Downtown Development Authority</u>				
Capital assets being depreciated				
Land improvements	\$ 540,413	\$ -	\$ -	\$ 540,413
Less accumulated depreciation for				
Land improvements	<u>10,831</u>	<u>27,020</u>	<u>-</u>	<u>37,851</u>
West Downtown Development Authority capital assets, net	<u>\$ 529,582</u>	<u>\$ (27,020)</u>	<u>\$ -</u>	<u>\$ 502,562</u>
Component units capital assets, net	<u>\$ 792,296</u>	<u>\$ (39,037)</u>	<u>\$ -</u>	<u>\$ 753,259</u>

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

<b>Governmental activities</b>	
General government	\$ 68,715
Public safety	24,330
Recreation and culture	<u>10,867</u>
Total governmental activities	<u>103,912</u>
 <b>Business-type activities</b>	
Sewer Fund	804,613
Water Fund	<u>433,944</u>
Total business-type activities	<u>1,238,557</u>
 Total primary government	 <u>\$ 1,342,469</u>

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2023**

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

East Downtown Development Authority	\$	12,017
West Downtown Development Authority		<u>27,020</u>
 Total component units		 <u><u>\$ 39,037</u></u>

**Construction Commitments**

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

Project	Total Project	Amount Spent	Remaining Balance
<b>General Fund</b>			
Township Hall feasibility study	\$ 26,078	\$ 18,198	\$ 7,880
Improvements to 5243 Jonathon Lane	<u>40,500</u>	<u>21,349</u>	<u>19,151</u>
	<u>66,578</u>	<u>39,547</u>	<u>27,031</u>
 <b>East DDA Fund</b>			
Property purchase for development	<u>300,000</u>	<u>220,605</u>	<u>79,395</u>
 <b>Sewer Fund</b>			
Pump station #1 replacement	1,078,940	1,063,430	15,510
Pump station #2 upgrades/rehabilitation	225,000	2,328	222,672
Pump station #5 upgrades	<u>634,000</u>	<u>34,720</u>	<u>599,280</u>
	<u>1,937,940</u>	<u>1,100,478</u>	<u>837,462</u>
 <b>Water Fund</b>			
River Road Control Building - pump installation	383,076	289,273	93,803
EGLE SWP & DWRF projects	<u>10,985,000</u>	<u>124,940</u>	<u>10,860,060</u>
	<u>11,368,076</u>	<u>414,213</u>	<u>10,953,863</u>
	 <u><u>\$ 13,672,594</u></u>	 <u><u>\$ 1,774,843</u></u>	 <u><u>\$ 11,897,751</u></u>



**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2023**

**Note 6 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund		Total
	Sewer Fund	Water Fund	
General Fund	\$ 1,066	\$ 1,516	\$ 2,582
Water Fund	50	-	50
	\$ 1,116	\$ 1,516	\$ 2,632

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

The Tribal 2% Fund (nonmajor governmental fund) transferred \$225,371 to the Sewer Fund for the cost of sewer projects. The ARPA Fund transferred \$7,013 of interest earnings to the General Fund.

**Note 7 - Long-Term Debt**

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

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Bonds and notes payable					
Notes from direct borrowings and direct placements					
Mission Creek Drain Note	\$ 404,601	\$ -	\$ 22,478	\$ 382,123	\$ 22,478
Compensated absences	22,472	55,283	51,815	25,940	25,940
Total governmental activities	\$ 427,073	\$ 55,283	\$ 74,293	\$ 408,063	\$ 48,418
<b>Business-type activities</b>					
Bonds and notes payable					
General obligation bonds					
2010 Water Revenue Bonds	\$ 1,070,000	\$ -	\$ 115,000	\$ 955,000	\$ 120,000
2011 Sanitary Sewer System (Phase I)	921,000	-	20,000	901,000	20,000
2011 Sanitary Sewer System (Phase II)	4,028,651	-	86,000	3,942,651	88,000
Total general obligation bonds	6,019,651	-	221,000	5,798,651	228,000
Less premiums and discounts					
For issuance discounts	(11,051)	-	(1,578)	(9,473)	-
Total bonds and notes payable	6,008,600	-	219,422	5,789,178	228,000
Compensated absences	115,820	111,939	117,637	110,122	110,122
Total business-type activities	\$ 6,124,420	\$ 111,939	\$ 337,059	\$ 5,899,300	\$ 338,122

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2023**

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

**Governmental activities**

\$449,557 Mission Creek Drain Note dated September 2, 2021, due in annual installments of \$22,478 through June 30, 2040, with an interest rate of 2.51 percent, payable semi-annually. \$ 382,123

**Business-type activities**

\$2,105,000 General Obligation Water Revenue Bonds Series 2010 dated July 21, 2010, due in annual installments ranging from \$120,000 to \$155,000 through October 1, 2030, with an interest rate ranging from 3.75 to 4.40 percent, payable semi-annually. \$ 955,000

\$1,100,000 Sewer System Revenue Bonds dated November 1, 2011, due in annual installments ranging from \$20,000 to \$47,000 through May 1, 2051, with an interest rate of 3.25 percent, payable semi-annually. 901,000

\$1,424,5110 Sewer System Revenue Bonds dated July 17, 2013, due in annual installments ranging from \$88,000 to \$189,000 through July 1, 2053, with an interest rate of 2.75 percent, payable semi-annually. 3,942,651

\$ 5,798,651

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

Year Ending December 31,	Governmental Activities		Business-type Activities	
	Notes from Direct Borrowings and Direct Placements		Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 22,478	\$ 11,154	\$ 228,000	\$ 177,211
2025	22,478	10,469	237,000	169,521
2026	22,478	9,815	245,000	161,337
2027	22,478	9,161	253,000	152,865
2028	22,478	8,530	261,000	143,974
2029-2033	112,390	32,733	967,000	590,368
2034-2038	112,390	16,367	762,000	470,530
2039-2043	44,953	1,964	876,000	355,614
2044-2048	-	-	1,007,000	223,558
2049-2053	-	-	962,651	73,250
	<u>\$ 382,123</u>	<u>\$ 100,193</u>	<u>\$ 5,798,651</u>	<u>\$ 2,518,228</u>

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2023**

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**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 \$25,940 for governmental activities. Resources from the general fund will be used to liquidate this liability. The business-type activities reported a liability of \$110,122. Resources from the sewer and water funds will be used to liquidate this liability.

**Note 8 - Net Investment in Capital Assets**

The composition of net investment in capital assets as of year end, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets			
Capital assets not being depreciated	\$ 200,197	\$ 1,788,141	\$ 197,697
Capital assets, net of accumulated depreciation	2,027,501	23,427,422	555,562
Total capital assets	2,227,698	25,215,563	753,259
 Related debt			
General obligation bonds	-	(5,798,651)	-
Unamortized bond discounts	-	9,473	-
Total related debt	-	(5,789,178)	-
 Net investment in capital assets	\$ 2,227,698	\$ 19,426,385	\$ 753,259

**Note 9 - 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.

**Charter Township of Union**  
**Notes to the Financial Statements**  
**December 31, 2023**

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**Note 10 - Employee Retirement and Benefit Systems**

**Defined Contribution Plan**

The Township participates in a defined contribution plan administered by Municipal Employees' Retirement System. The plan is available for all full-time employees, excluding elected officials. The Township is required to contribute 9.0 percent of each participant's annual compensation. Employees are required to contribute 2.5 percent of their annual compensation. Contributions can be made by employees on a pre-tax basis. Upon early retirement or termination of service, other than because of death, disability, or normal retirement, benefits in the plan vest at 100% after twenty months of service.

For the year ended December 31, 2023, the Township's total payroll was \$1,731,791. Employee contributions totaled \$38,484 and employer contributions totaled \$134,936 for the year ended December 31, 2023.

**Note 11 - Contingent Liabilities**

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

**Note 12 - Contractual Commitments**

The Township has contracted with the City of Mount Pleasant for fire protection. The contract currently runs through 2024. The Township's future anticipated operating revenues are expected to be sufficient to cover this commitment. The remaining contractual commitment through the year ending December 31, 2024 is \$838,401.

**Note 13 - Related Party Transactions**

A board member of the Economic Development Authority owns a construction company that performed services for the Township. Payments to the company from the Township totaled \$1,173,423 for the fiscal year ending December 31, 2023.

**Note 14 - Prior Period Adjustment**

The Township recorded a prior period adjustment to recognize the outstanding balance of a note payable for the Mission Creek Drain. Details pertaining to the note payable are included in Note 7. The effect of that adjustment is as follows:

	<u>Governmental Activities</u>
Net position at December 31, 2022	\$ 9,495,311
Adjustment	
Recognition of long-term debt	<u>(404,601)</u>
Restated position at December 31, 2022	<u>\$ 9,090,710</u>

**Charter Township of Union**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
<b>Revenues</b>				
Taxes				
Property taxes	\$ 336,750	\$ 331,250	\$ 338,073	\$ 6,823
Penalties and interest	5,600	12,600	15,681	3,081
Administration fee	162,900	174,900	177,342	2,442
Licenses and permits	88,000	223,000	234,883	11,883
State-shared revenue	1,372,600	1,300,800	1,338,386	37,586
State grants	4,500	4,500	4,641	141
Charges for services	208,100	208,600	195,942	(12,658)
Fines and forfeitures	2,500	2,500	930	(1,570)
Rental income	6,000	11,000	9,749	(1,251)
Investment income	23,200	230,000	264,941	34,941
Other revenue	23,900	21,400	21,786	386
	<u>2,234,050</u>	<u>2,520,550</u>	<u>2,602,354</u>	<u>81,804</u>
<b>Expenditures</b>				
General government				
Governing body	68,748	70,548	56,975	(13,573)
Chief executive	10,213	10,213	8,474	(1,739)
Manager	127,540	128,014	124,292	(3,722)
Accounting department	254,109	254,299	223,397	(30,902)
Clerk	41,219	46,027	34,710	(11,317)
Information technology	44,000	61,100	50,110	(10,990)
Treasurer	34,989	34,989	27,633	(7,356)
Assessor/equalization department	121,900	129,380	114,147	(15,233)
Elections	32,758	11,758	6,653	(5,105)
Building and grounds	89,395	85,395	66,555	(18,840)
Attorney	80,000	80,000	45,306	(34,694)
	<u>904,871</u>	<u>911,723</u>	<u>758,252</u>	<u>(153,471)</u>
Public safety				
Building inspection department	311,789	429,006	307,109	(121,897)
Public works				
Department of public works	307,000	284,300	289,306	5,006
Community and economic development				
Planning	373,752	297,320	274,040	(23,280)

**Charter Township of Union**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Recreation and culture				
Parks and recreation department	\$ 105,979	\$ 117,075	\$ 105,111	\$ (11,964)
Capital outlay	1,095,500	410,062	258,766	(151,296)
Total expenditures	3,098,891	2,449,486	2,026,840	(422,646)
Excess (deficiency) of revenues over expenditures	(864,841)	71,064	575,514	504,450
<b>Other financing sources (uses)</b>				
Transfers in	-	7,013	7,013	-
Sale of capital assets	13,000	13,000	5,500	(7,500)
Total other financing sources (uses)	13,000	20,013	12,513	(7,500)
Net change in fund balance	(851,841)	91,077	588,027	496,950
Fund balance - beginning of year	6,144,193	6,144,193	6,144,193	-
Fund balance - end of year	<u>\$ 5,292,352</u>	<u>\$ 6,235,270</u>	<u>\$ 6,732,220</u>	<u>\$ 496,950</u>

**Charter Township of Union**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Fire Fund**

**For the Year Ended December 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Final</u>
				<u>Budget</u>
<b>Revenues</b>				
Taxes	\$ 752,100	\$ 752,100	\$ 754,504	\$ 2,404
State grants	29,200	29,200	21,038	(8,162)
Charges for services	144,000	144,000	145,424	1,424
Investment income	<u>4,800</u>	<u>4,800</u>	<u>42,595</u>	<u>37,795</u>
Total revenues	930,100	930,100	963,561	33,461
<b>Expenditures</b>				
Current				
Public safety	<u>865,250</u>	<u>865,250</u>	<u>831,702</u>	<u>(33,548)</u>
Net change in fund balance	64,850	64,850	131,859	67,009
Fund balance - beginning of year	<u>1,008,574</u>	<u>1,008,574</u>	<u>1,008,574</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,073,424</u>	<u>\$ 1,073,424</u>	<u>\$ 1,140,433</u>	<u>\$ 67,009</u>

**Charter Township of Union**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**American Rescue Plan Act Fund**  
**For the Year Ended December 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Budget</u>
<b>Revenues</b>				
Federal grants	\$ 48,000	\$ 250,000	\$ 191,001	\$ (58,999)
Investment income	1,600	-	-	-
Total revenues	49,600	250,000	191,001	(58,999)
<b>Expenditures</b>				
Capital outlay	48,000	250,000	191,001	(58,999)
Excess of revenues (deficiency) over expenditures	1,600	-	-	-
<b>Other financing sources</b>				
Transfers out	-	(7,013)	(7,013)	-
Net change in fund balance	1,600	(7,013)	(7,013)	-
Fund balance - beginning of year	7,013	7,013	7,013	-
Fund balance - end of year	<u>\$ 8,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**Charter Township of Union**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2023**

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	Total Nonmajor Governmental Funds
	Tribal 2%	Public Improvement	
<b>Assets</b>			
Cash and cash equivalents	\$ 34,267	\$ 317,981	\$ 352,248
Receivables			
Special assessments	<u>-</u>	<u>77,250</u>	<u>77,250</u>
Total assets	<u>\$ 34,267</u>	<u>\$ 395,231</u>	<u>\$ 429,498</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue - taxes	<u>\$ -</u>	<u>\$ 77,250</u>	<u>\$ 77,250</u>
<b>Fund balances</b>			
Restricted			
Tribal grants	34,267	-	34,267
Assigned			
Capital projects	<u>-</u>	<u>317,981</u>	<u>317,981</u>
Total fund balances	<u>34,267</u>	<u>317,981</u>	<u>352,248</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 34,267</u>	<u>\$ 395,231</u>	<u>\$ 429,498</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, 2023**

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	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	
	Tribal 2%	Public Improvement	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues</b>			
Local contributions	\$ 100,000	\$ -	\$ 100,000
Investment income	1,829	7,749	9,578
Other revenue	<u>-</u>	<u>27,940</u>	<u>27,940</u>
 Excess of revenues over expenditures	 101,829	 35,689	 137,518
 <b>Other financing sources (uses)</b>			
Transfers out	<u>(225,371)</u>	<u>-</u>	<u>(225,371)</u>
 Net change in fund balances	 (123,542)	 35,689	 (87,853)
 Fund balances - beginning of year	 <u>157,809</u>	 <u>282,292</u>	 <u>440,101</u>
 Fund balances - end of year	 <u>\$ 34,267</u>	 <u>\$ 317,981</u>	 <u>\$ 352,248</u>

**Charter Township of Union**  
**Other Supplementary Information**  
**Statement of Net Position and Governmental Fund Balance Sheet**  
**Component Unit - East Downtown Development Authority**  
**December 31, 2023**

	<u>Balance Sheet</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 2,009,772	\$ -	\$ 2,009,772
Receivables			
Taxes	61,904	-	61,904
Due from other units of government	498,260	-	498,260
Prepaid items	2,206	-	2,206
Assets held for sale	<u>32,557</u>	<u>-</u>	<u>32,557</u>
Total current assets	<u>2,604,699</u>	<u>-</u>	<u>2,604,699</u>
Noncurrent assets			
Capital assets not being depreciated	-	197,697	197,697
Capital assets, net of accumulated depreciation	<u>-</u>	<u>53,000</u>	<u>53,000</u>
Total noncurrent assets	<u>-</u>	<u>250,697</u>	<u>250,697</u>
Total assets	<u>\$ 2,604,699</u>	<u>250,697</u>	<u>2,855,396</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	<u>\$ 5,789</u>	<u>-</u>	<u>5,789</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue - taxes	<u>560,164</u>	<u>-</u>	<u>560,164</u>
<b>Fund balance</b>			
Non-spendable			
Prepaid items	2,206	(2,206)	-
Assets held for sale	32,557	(32,557)	-
Unassigned	<u>2,003,983</u>	<u>(2,003,983)</u>	<u>-</u>
Total fund balance	<u>2,038,746</u>	<u>(2,038,746)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,604,699</u>		
<b>Net position</b>			
Net investment in capital assets		250,697	250,697
Unrestricted		<u>2,038,746</u>	<u>2,038,746</u>
Total net position		<u>\$ 2,289,443</u>	<u>\$ 2,289,443</u>

**Charter Township of Union  
Other Supplementary Information  
Reconciliation of Fund Balance  
to Net Position of Governmental Activities  
Component Unit - East Downtown Development Authority  
December 31, 2023**

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<b>Fund balance - component unit fund</b>	\$ 2,038,746
Total net position for component unit in the statement of net position is different because:	
Capital assets used in component unit are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	197,697
Capital assets, net of accumulated depreciation	<u>53,000</u>
<b>Net position of component unit</b>	<u><u>\$ 2,289,443</u></u>

**Charter Township of Union**  
**Other Supplementary Information**  
**Statement of Activities and**  
**Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Component Unit - East Downtown Development Authority**  
**For the Year Ended December 31, 2023**

	Statement of Revenues, Expenditures and Changes in Fund Balance	Adjustments	Statement of Activities
<b>Revenues</b>			
Taxes	\$ 516,940	\$ -	\$ 516,940
State grants	69,776	-	69,776
Investment income	65,903	-	65,903
	<u>652,619</u>	<u>-</u>	<u>652,619</u>
<b>Total revenues</b>	<u>652,619</u>	<u>-</u>	<u>652,619</u>
<b>Expenditures / expense</b>			
Current			
Public safety	79,658	-	79,658
Community and economic development	410,713	12,168	422,881
Capital outlay	151	(151)	-
	<u>490,522</u>	<u>12,017</u>	<u>502,539</u>
<b>Total expenditures / expense</b>	<u>490,522</u>	<u>12,017</u>	<u>502,539</u>
<b>Net change in fund balance</b>	162,097	(12,017)	150,080
Fund balance / net position - beginning of year	<u>1,876,649</u>	<u>262,714</u>	<u>2,139,363</u>
Fund balance / net position - end of year	<u>\$ 2,038,746</u>	<u>\$ 250,697</u>	<u>\$ 2,289,443</u>

**Charter Township of Union**  
**Other Supplementary Information**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance**  
**to the Statement of Activities**  
**Component Unit - East Downtown Development Authority**  
**For the Year Ended December 31, 2023**

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**Net change in fund balances - total component unit fund** \$ 162,097

Total change in net position reported for component unit in the statement of activities is different because:

The fund reports 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 (12,017)

**Change in net position of component unit** **\$ 150,080**

**Charter Township of Union**  
**Other Supplementary Information**  
**Statement of Net Position and Governmental Fund Balance Sheet**  
**Component Unit - West Downtown Development Authority**  
**December 31, 2023**

	<u>Balance Sheet</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 1,207,348	\$ -	\$ 1,207,348
Receivables			
Taxes	175,382	-	175,382
Due from other units of government	<u>267,027</u>	<u>-</u>	<u>267,027</u>
Total current assets	1,649,757	-	1,649,757
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>-</u>	<u>502,562</u>	<u>502,562</u>
Total assets	<u>\$ 1,649,757</u>	<u>502,562</u>	<u>2,152,319</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue - taxes	<u>442,409</u>	<u>-</u>	<u>442,409</u>
<b>Fund balance</b>			
Unassigned	<u>1,207,348</u>	<u>(1,207,348)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,649,757</u>		
<b>Net position</b>			
Net investment in capital assets		502,562	502,562
Unrestricted		<u>1,207,348</u>	<u>1,207,348</u>
Total net position		<u>\$ 1,709,910</u>	<u>\$ 1,709,910</u>

**Charter Township of Union  
Other Supplementary Information  
Reconciliation of Fund Balance  
to Net Position of Governmental Activities  
Component Unit - West Downtown Development Authority  
December 31, 2023**

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<b>Fund balance - component unit fund</b>	\$ 1,207,348
Total net position for component unit in the statement of net position is different because:	
Capital assets used in component unit are not financial resources and therefore are not reported in the funds.	
Capital assets, net of accumulated depreciation	<u>502,562</u>
<b>Net position of component unit</b>	<u>\$ 1,709,910</u>



**Charter Township of Union**  
**Other Supplementary Information**  
**Statement of Activities and**  
**Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Component Unit - West Downtown Development Authority**  
**For the Year Ended December 31, 2023**

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	<u>Statement of Revenues, Expenditures and Changes in Fund Balance</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Taxes	\$ 413,860	\$ -	\$ 413,860
State grants	1,885	-	1,885
Investment income	<u>39,141</u>	<u>-</u>	<u>39,141</u>
Total revenues	<u>454,886</u>	<u>-</u>	<u>454,886</u>
<b>Expenditures / expense</b>			
Current			
Public safety	65,766	-	65,766
Community and economic development	<u>12,745</u>	<u>27,020</u>	<u>39,765</u>
Total expenditures / expense	<u>78,511</u>	<u>27,020</u>	<u>105,531</u>
Net change in fund balance	376,375	(27,020)	349,355
Fund balance / net position - beginning of year	<u>830,973</u>	<u>529,582</u>	<u>1,360,555</u>
Fund balance / net position - end of year	<u>\$ 1,207,348</u>	<u>\$ 502,562</u>	<u>\$ 1,709,910</u>

**Charter Township of Union**  
**Other Supplementary Information**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance**  
**to the Statement of Activities**  
**Component Unit - West Downtown Development Authority**  
**For the Year Ended December 31, 2023**

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**Net change in fund balances - total component unit fund** \$ 376,375

Total change in net position reported for component unit in the statement of activities is different because:

The fund reports 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 (27,020)

**Change in net position of component unit** **\$ 349,355**



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

## **Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Charter Township of Union, as of and for the year ended December 31, 2023, 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 24, 2024.

### **Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001, that we consider to be a material weakness.

### **Report on Compliance and Other Matters**

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

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

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

Charter Township of Union is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. Charter Township of Union's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### 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 24, 2024

**Charter Township of Union**  
**Schedule of Findings and Responses**  
**December 31, 2023**

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**Finding 2023-001 Material Weakness – Prior Period Adjustment**

<b>Criteria:</b>	Financial statements should be free from errors that could change the user's overall assessment of the Township's finances.
<b>Condition:</b>	A prior period adjustment was required to recognize the outstanding balance of a note payable that had previously not been recorded.
<b>Cause and Effect:</b>	<p>The Township has long-term debt related to its portion of costs for work performed on the Mission Creek Drain. Because the Township itself does not make payments on this debt directly, but instead gets billed by the Isabella County Drain Commission, the Township was not aware of this liability at the time the December 31, 2022 financial statements were issued.</p> <p>To properly report the Township's share of debt at December 31, 2022, a prior period adjustment was reported to increase governmental activities' long-term debt by \$404,601, decreasing ending net position from \$9,495,311 to \$9,090,710.</p>
<b>Recommendation:</b>	We recommend that the Township monitors activity related to billed drain at-large assessments to ensure any new long-term debt balances are properly included in the Township's financial statements in the future.
<b>View of Responsible Officials:</b>	Management agrees with the finding.
<b>Corrective Action Plan:</b>	See attached corrective action plan from management.



**Audit Corrective Action Plan 12-31-2023**

**Auditing Finding:** 2023-001

**Auditor's Recommendation:** Recommend that the Township monitors activity related to billed drain at-large assessments to ensure any new long-term debt balances are properly included in the Township's financial statements in the future.

**Management Agrees/Disagrees with Finding - Agrees**

**Contact Person Responsible for Corrective Action Implementation:** Mark Stuhldreher, Township Manager

**Anticipated Completion Date:** Immediately

**Corrective Action Planned:**

When the Township receives formal notice from the County Drain Commissioner that the maintenance and improvements to a drain project which benefits the public health in Union Charter Township and therefore, that the Township will be liable for a portion of the cost of the project by reason of benefits at large, the Township will monitor the project to ensure the Township is aware of any portion of newly issued County long term debt that is the responsibility of the Township is recognized as appropriate in the general ledger.

**Prepared by:**

*Mark Stuhldreher*

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