

Township of Union  
Financial Statement  
Year Ended March 31, 2013

Township of Union  
Table of Contents

	<u>Page</u>
Independent Auditor's Report	2 – 3
Management's Discussion and Analysis	4 – 6
Basic Financial Statements	
Government Wide Statement of Net Assets	7
Government Wide Statement of Activities	8
Governmental Fund Balance Sheet	9
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	10
Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balance	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Fiduciary Funds – Statement of Net Assets	13
Notes to the Financial Statements	14 - 20
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	22
Budgetary Comparison Schedule – Major Fire & Cemetery Funds	23
Supplemental Information	
Combining Balance Sheet – Non-Major Governmental Funds	24
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds	25

# David F. Locey, C.P.A., P.C. Certified Public Accountant

P.O. Box 7037  
67036 N. M-66  
Sturgis, MI 49091

269-651-4225  
(Fax) 269-651-1989  
[loceycpa@voyager.net](mailto:loceycpa@voyager.net)  
[www.usa-tax-help.com](http://www.usa-tax-help.com)

---

## INDEPENDENT AUDITOR'S REPORT

To the Township Board  
Township of Union, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Union, Michigan, as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

David F. Locey, CPA – 1984, Senior Partner

Joy Stevens – 1984 – Partner

Andy Brown – 2009 - CPA

Member AICPA   Member MACPA   Quality Review Certified 1991 – 2009   Operation Since 1984

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Union, Michigan, as of March 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information of pages 4 - 6 and 22 - 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



David F. Loczy, CPA, PC  
Sturgis, MI  
August 21, 2013

TOWNSHIP OF UNION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Union Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2013. Please read it in conjunction with the Township's financial statements.

**Financial Highlights**

- The Township's total net assets increased by \$36,640 as a result of this year's activities.
- Of the \$681,887 total net assets reported, \$363,156 (53.25%) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$363,156, which represents 59.6% of the actual total General Fund expenditures for the current fiscal year.

**Using This Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

**The Township as a Whole**

The following table shows, in condensed format, the net assets as of the current year end under the modified accrual basis of accounting:

	(dollars presented in thousands)
	Governmental Funds
	<u>2013</u>
Assets	\$ 1,177
Liabilities	618
Fund Balances	
Reserved	196
Unreserved	<u>363</u>
Total Fund Equity	<u>\$ 559</u>

TOWNSHIP OF UNION  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows, in a condensed format, the net assets of the current year end as required by GASB 34 stated under the full accrual basis of accounting:

	(dollars presented in thousands)
	Governmental Funds
	<u>2013</u>
Current and other assets	\$ 1,177
Capital assets	<u>123</u>
Total Assets	1,300
Liabilities	<u>618</u>
Total Liabilities	618
Net assets	
Invested in capital assets	124
Unrestricted	<u>558</u>
Total Net Assets	<u>\$ 682</u>

The following table shows, in a condensed format, the changes in net assets of the current year as required by GASB 34 stated under the full accrual basis of accounting:

	(dollars presented in thousands)
	Governmental Funds
	<u>2013</u>
Revenues	
Program Revenues	
Charges for Services	\$ 37
General Revenues	
Property Taxes	105
State Shared Revenues	95
Unrestricted Investment Earnings/Rent	2
Miscellaneous	<u>6</u>
Total Revenues	245
Expenses	
General Government	80
Public Safety	67
Public Works	54
Recreation	<u>8</u>
Total Expenses	<u>209</u>
Change in Net Assets	<u>\$ 36</u>

TOWNSHIP OF UNION  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes in net assets during the current year, under the modified accrual basis of accounting:

	(dollars presented in thousands)
	Governmental Funds
	<u>2013</u>
Revenues	
Taxes	\$ 105
State Shared Revenues	95
Interest/Rental	2
Other	<u>53</u>
Total Revenues	255
Program Expenses	
General Government	96
Public Safety	67
Public Works	<u>54</u>
Total Expenses	<u>217</u>
Change in Net Assets	<u>\$ 38</u>

**The Township's Funds**

The General Fund pays for most of the Township's governmental services. The primary services include cemetery, library, fire, and administrative services related to general operations that support the primary services. The General Fund is funded primarily by property taxes and state shared revenues.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township office.

Township of Union  
Government Wide Statement of Net Assets  
March 31, 2013

	Primary Government	
	Governmental Activities	Total
<b>ASSETS</b>		
Cash and cash equivalents	\$379,715	\$379,715
Investments	152,145	152,145
Receivables - net	36,493	36,493
Due from other funds	608,030	608,030
Other receivables	510	510
Capital assets - net	123,465	123,465
 Total Assets	 1,300,357	 1,300,357
 <b>LIABILITIES</b>		
Accounts payable	2,881	2,881
Due to other funds	608,030	608,030
Accrued and other liabilities	7,560	7,560
 Total Liabilities	 618,471	 618,471
 <b>NET ASSETS</b>		
Invested in Capital Assets		
Net of related debt	123,465	123,465
Restricted For		
Public safety/Cemetery care	195,266	195,266
Unrestricted	363,156	363,156
 Total Net Assets	 \$681,887	 \$681,887



Township of Union  
Government Wide Statement of Activities  
Year Ended March 31, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>	
			<u>Governmental Activities</u>	<u>Total</u>
Primary Government				
General government	\$79,774	\$17,698	(\$62,076)	(\$62,076)
Public safety/Cemetery care	66,759	19,067	(47,692)	(47,692)
Public works	53,659	0	(53,659)	(53,659)
Recreation and culture	8,288	0	(8,288)	(8,288)
Total Governmental Activities	208,480	36,765	(171,715)	(171,715)
Total Primary Government	\$208,480	\$36,765	(171,715)	(171,715)
General Revenues				
Property taxes			104,801	104,801
State-shared revenues			94,892	94,892
Unrestricted investment earnings-rental			1,880	1,880
Miscellaneous			6,782	6,782
Total General Revenues-Special Items and Transfers			208,355	208,355
Change in Net Assets			36,640	36,640
Net Assets - Beginning			645,247	645,247
Net Assets - Ending			\$681,887	\$681,887

Township of Union  
Governmental Fund Balance Sheet  
March 31, 2013

	General Fund	Fire & Cemetery Fund	Fiduciary Fund	Non Major Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$233,954	\$115,076	\$150	\$30,535	\$379,715
Investments	152,145	0	0	0	152,145
Receivables - net	30,645	5,848	0	0	36,493
Due from other funds	276,678	320,335	0	11,017	608,030
Due from other units	0	0	0	0	0
Prepays	510	0	0	0	510
<b>Total Assets</b>	<b><u>\$693,932</u></b>	<b><u>\$441,259</u></b>	<b><u>\$150</u></b>	<b><u>\$41,552</u></b>	<b><u>\$1,176,893</u></b>
<b>LIABILITIES</b>					
Accounts payable	2,881	0	0	0	2,881
Due to other funds	320,335	276,738	150	10,807	608,030
Due to other units	7,560	0	0	0	7,560
<b>Total Liabilities</b>	<b>330,776</b>	<b>276,738</b>	<b>150</b>	<b>10,807</b>	<b>618,471</b>
<b>FUND BALANCES</b>					
Reserved for					
Public safety/cemetery	0	164,521	0	0	164,521
Cemetery care	0	0	0	30,745	30,745
Unreserved	363,156	0	0	0	363,156
<b>Total Fund Balances</b>	<b><u>363,156</u></b>	<b><u>164,521</u></b>	<b><u>0</u></b>	<b><u>30,745</u></b>	<b><u>558,422</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$693,932</u></b>	<b><u>\$441,259</u></b>	<b><u>\$150</u></b>	<b><u>\$41,552</u></b>	<b><u>\$1,176,893</u></b>
<b>Total Governmental Funds Balances</b>					<b>\$558,422</b>
Amounts reported for governmental activities in the Statement of Net Assets are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds.					
					<u>123,465</u>
<b>Net Assets of Governmental Activities</b>					<b><u>\$681,887</u></b>

Township of Union  
Governmental Funds  
Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
Year Ended March 31, 2013

Total governmental fund balances	\$558,422
----------------------------------	-----------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental capital assets	0
Less accumulated depreciation	<u>123,465</u>

Net assets of governmental activities	<u><u>\$681,887</u></u>
---------------------------------------	-------------------------

Township of Union  
Governmental Fund Statement of Revenues, Expenditures  
and Changes in Fund Balance  
March 31, 2013

	General Fund	Fire & Cemetery Fund	Non-Major Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes and penalties	\$54,000	\$50,801	\$0	\$104,801
State aid	94,892	0	0	94,892
Charges for services	17,698	19,067	0	36,765
Interest and rentals	1,614	0	266	1,880
Other revenue	6,782	0	0	6,782
<b>Total Revenues</b>	<b>174,986</b>	<b>69,868</b>	<b>266</b>	<b>245,120</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	77,982	0	0	77,982
Public safety/cemetery care	2,351	64,408	0	66,759
Public works	53,659	0	0	53,659
Recreation and culture	8,288	0	0	8,288
<b>Total Expenditures</b>	<b>142,280</b>	<b>64,408</b>	<b>0</b>	<b>206,688</b>
<b>Excess of Revenues Over Expenditures</b>	<b>32,706</b>	<b>5,460</b>	<b>266</b>	<b>38,432</b>
<b>Internal Transfer In (Out)</b>	<b>(10,000)</b>	<b>10,000</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>22,706</b>	<b>15,460</b>	<b>266</b>	<b>38,432</b>
<b>Fund Balance - April 1, 2012</b>	<b>340,450</b>	<b>149,061</b>	<b>30,479</b>	<b>519,990</b>
<b>Fund Balance - March 31, 2013</b>	<b>\$363,156</b>	<b>\$164,521</b>	<b>\$30,745</b>	<b>\$558,422</b>

Township of Union  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended March 31, 2013

Net change in fund balances - total governmental funds \$38,432

Amounts reported for governmental activities in the  
statement of net activities are different because:

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets is depreciated over their estimated useful lives.

Expenditures for capital assets	0
Depreciation expense	<u>(1,792)</u>

Change in net assets of governmental activities \$36,640

Township of Union  
Fiduciary Funds-Statement of Net Assets  
March 31, 2013

	Agency Fund Type Tax Collection Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$150
Due from other units	<u>0</u>
Total Assets	<u><u>\$150</u></u>
<b>LIABILITIES</b>	
Due to other funds	\$150
Due to other units	<u>0</u>
Total Liabilities	<u><u>\$150</u></u>

**Township of Union**  
**Notes to Financial Statements**  
**Year Ended March 31, 2013**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township of Union, Branch County, Michigan is a general law Township. The Township operates under an elected Board/Supervisor form of government and provides the following services as authorized by its charter: public safety, highways and street, public improvements, cultural recreation, planning and zoning, and administrative services.

The accounting policies of the Township of Union conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**The Reporting Entity**

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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 segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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.

**Township of Union**  
**Notes to Financial Statements**  
**Year Ended March 31, 2013**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is 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 revenue 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

The government reports the following major governmental funds:

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

The Fire & Cemetery Fund is a Special Revenue Fund of the Township. This Fund is used to account for the proceeds of specific revenue tax millages that are legally restricted to expenditures for the fire and cemetery.

The government reports two non-major fund types:

The cemetery trust fund earns interest to be spent on grave site care. The special assessment lake and road pavings fund accounts for districts that are legally restricted for lake clean up and road paving projects approved by its residents residing in these districts.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule would be charges between the government's enterprise funds and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Township of Union does not have enterprise funds.



**Township of Union**  
**Notes to Financial Statements**  
**Year Ended March 31, 2013**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation** (continued)

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

Finally, the government reports the following fund type:

The Summer and Winter Tax Collection Fund is a Fiduciary Fund accountable for assets held by the Township in a Trustee or agency capacity for individuals, private organizations, other governments, and/or other funds.

**Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments – 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. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements 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. Property taxes are levied each July for State Education Tax, and on each December 1 on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent in the following September and March of the following respective period, at which time penalties and interest are assessed.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by government as assets with an initial individual cost of more than \$500 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. Donated capital assets are recorded at estimated fair market value at the date of donation.

**Township of Union**  
**Notes to Financial Statements**  
**Year Ended March 31, 2013**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, and Net Assets or Equity** (continued)

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

Buildings	30 to 40 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Fire Equipment	7 to 25 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave) – It is the government’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year. These budgets are adopted on a basis consistent with generally accepted accounting principles.
2. The Township Board approves, by ordinance, total budget appropriations only. Any revisions that alter the total appropriations of any fund must be approved by the Township, therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, etc).
3. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

**Township of Union**  
**Notes to Financial Statements**  
**Year Ended March 31, 2013**

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the Local Governmental Unit did incur expenditures in budgeted funds which were in excess of the amounts appropriated.

**DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit 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 direct obligations of the United States or any agency or instrumentality of the United States; United States government of 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 its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Board has designated several banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority.

**DEPOSITS AND INVESTMENTS (Continued)**

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories;

	<u>Governmental Activities</u>	<u>Total Government</u>
Cash and Cash Equivalents	<u>\$ 531,860</u>	<u>\$ 531,860</u>

The bank balance of the primary government's deposits is \$531,860 of which \$531,860 is protected by federal depository insurance.

**Township of Union**  
**Notes to Financial Statements**  
**Year Ended March 31, 2013**

**INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS**

The composition of interfund balances is as follows:

	<u>Due From</u>	<u>Due To</u>
<u>General Fund</u>		
Tax Fund	150	
Cemetery	882	
Special Assessment	9,925	
Fire/Cemetery	265,721	320,335
<u>Special Assessment</u>		
General		9,925
Fire/Cemetery	9,925	
<u>Fire/Cemetery</u>		
General	320,335	265,721
Special Assessment		9,925
Cemetery Trust		1,092
<u>Cemetery Trust</u>		
General		882
Fire/Cemetery	1,092	
<u>Tax Fund</u>		
General		150
	<u>608,030</u>	<u>608,030</u>

Receivable account balances: Tax Collection balances are due the General fund for final settlement of general tax liability. Current year special assessment activity is settled following year end.

**Township of Union**  
**Notes to Financial Statements**  
**Year Ended March 31, 2013**

**CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 74,940	\$ 0	\$ 0	\$ 74,940
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	<u>74,940</u>	<u>0</u>	<u>0</u>	<u>74,940</u>
Capital Assets Being Depreciated				
Buildings	99,113	0	0	99,113
Land Improvements	6,012	0	0	6,012
Machinery and equipment	27,602	0	0	27,602
Fire Trucks	<u>72,392</u>	<u>0</u>	<u>0</u>	<u>72,392</u>
Subtotal	<u>205,119</u>	<u>0</u>	<u>0</u>	<u>205,119</u>
Less Accumulated Depreciation for				
Buildings	51,855	1,244	0	53,090
Land Improvements	2,806	401	0	3,207
Machinery and equipment	27,749	147	0	27,896
Fire Trucks	<u>72,392</u>	<u>0</u>	<u>0</u>	<u>72,392</u>
Subtotal	<u>154,802</u>	<u>1,792</u>	<u>0</u>	<u>156,594</u>
Net Capital Assets Being Depreciated	<u>50,317</u>	<u>0</u>	<u>0</u>	<u>48,525</u>
Governmental Activities Capital Total				
Capital Assets-Net of Depreciation	<u>\$125,257</u>	<u>\$ 1,792</u>	<u>\$ 0</u>	<u>\$123,465</u>

The Township assets have been evaluated according to GASB 34 guidelines. The Township owns cemetery property and a township hall where historical dates and cost values were known or estimated. Generally, these assets are fully depreciated, as applicable, with unknown salvage values. The most recent asset acquisitions are recorded and depreciated.

Depreciated expense was charges to programs of the primary government as follows:

<b>Governmental Activities</b>	
General government	\$ 147
Public safety/cemetery	401
Building/ground	<u>1,244</u>
Total Governmental Activities	<u>\$ 1,792</u>

**REQUIRED SUPPLEMENTAL INFORMATION**

Township of Union  
 Budgetary Comparison Schedule  
 General Fund  
 Year Ended March 31, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Resources (Inflows)</b>			
Property taxes	\$66,904	\$54,000	(\$12,904)
State aid	94,448	94,892	444
Charges for services	0	17,698	17,698
Interest and rentals	1,838	1,614	(224)
Miscellaneous revenues	8,893	6,782	(2,111)
Transfers from other funds	0	0	0
	<u>172,083</u>	<u>174,986</u>	<u>2,903</u>
<b>Amounts Available for Appropriation</b>			
<b>Charges to Appropriations (Outflows)</b>			
<b>General Government</b>			
Township board	25,000 -	12,872	(12,128)
Supervisor	7,700	7,626	(74)
Finance	3,900 -	2,400	(1,500)
Board of Review	0	1,020	1,020
Treasurer	18,000	17,107	(893)
Assessing	17,000	15,263	(1,737)
Clerk	14,500	12,711	(1,789)
Elections	5,000	8,983	3,983
Buildings and grounds	2,500	2,351	(149)
Public Works	58,650	53,659	(4,991)
Recreations and culture	8,000	8,288	288
	<u>160,250</u>	<u>142,280</u>	<u>(17,970)</u>
<b>Total Charges to Appropriations</b>			
<b>Excess Revenue Over (Under) Expenditures</b>	<u>11,833</u>	<u>32,706</u>	<u>20,873</u>
<b>Internal Transfer In (Out)</b>	<u>0</u>	<u>(10,000)</u>	<u>(10,000)</u>
<b>Net Change in Fund Balance</b>	11,833	22,706	10,873
<b>Fund Balance - April 1, 2012</b>	<u>340,450</u>	<u>340,450</u>	<u>0</u>
<b>Fund Balance - March 31, 2013</b>	<u><u>\$352,283</u></u>	<u><u>\$363,156</u></u>	<u><u>\$10,873</u></u>

Township of Union  
 Budgetary Comparison Schedule  
 Major Fire & Cemetery Funds  
 Year Ended March 31, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Resources (Inflows)			
Property taxes	\$50,824	\$50,801	(\$23)
Charges for services	20,170	19,067	(1,103)
Other revenue	<u>0</u>	<u>0</u>	<u>0</u>
Amounts Available for Appropriation	70,994	69,868	(1,126)
Charges to Appropriations (Outflows)			
Fire and Cemetery services	<u>84,000</u>	<u>64,408</u>	<u>(19,592)</u>
Total Charges to Appropriations	<u>84,000</u>	<u>64,408</u>	<u>(19,592)</u>
Excess Revenue Over (Under) Expenditures	(13,006)	5,460	18,466
Internal Transfer In (Out)	<u>0</u>	<u>10,000</u>	<u>10,000</u>
Net Change in Fund Balance	(13,006)	15,460	28,466
Fund Balance - April 1, 2012	<u>149,061</u>	<u>149,061</u>	<u>0</u>
Fund Balance - March 31, 2013	<u><u>\$136,055</u></u>	<u><u>\$164,521</u></u>	<u><u>\$28,466</u></u>



**SUPPLEMENTAL INFORMATION**

Township of Union  
Combining Balance Sheet  
Non-Major Governmental Funds  
Year Ended March 31, 2013

	Cemetery Trust Fund	Special Assessments	Total Non- Major Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$30,535	\$0	\$30,535
Investments	0	0	0
Receivables - net	0	0	0
Due from other funds	1,092	9,925	11,017
 Total Assets	 \$31,627	 \$9,925	 \$41,552
 <b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$0	\$0	\$0
Due to other funds	882	9,925	10,807
Due to other governments	0	0	0
 Total Liabilities	 882	 9,925	 10,807
 <b>FUND BALANCE</b>			
Reserved	30,745	0	30,745
Unreserved	0	0	0
 Total Fund Equity	 30,745	 0	 30,745
 Total Liabilities and Fund Equity	 \$31,627	 \$9,925	 \$41,552

Township of Union  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Non-Major Governmental Funds  
Year Ended March 31, 2013

	Cemetery Trust Fund	Special Assessments	Total Non- Major Governmental Funds
<b>Revenues</b>			
Taxes and penalties	\$0	\$0	\$0
Interest	266	0	266
Other income	0	0	0
	266	0	266
<b>Total Revenues</b>			
	266	0	266
<b>Expenditures</b>			
Current			
Road projects	0	0	0
Lake clean up	0	0	0
Debt service			
Principal	0	0	0
Interest	0	0	0
Cemetery services	0	0	0
	0	0	0
<b>Total Expenditures</b>			
	0	0	0
<b>Excess of Revenues Over (Under) Expenditures</b>			
	266	0	266
Fund Balance - April 1, 2012	30,479	0	30,479
Fund Balance - March 31, 2013	\$30,745	\$0	\$30,745

# David F. Locey, C.P.A., P.C. Certified Public Accountant

P.O. Box 7037  
67036 N. M-66  
Sturgis, MI 49091

269-651-4225  
(Fax) 269-651-1989  
[loceycpa@voyager.net](mailto:loceycpa@voyager.net)  
[www.usa-tax-help.com](http://www.usa-tax-help.com)

---

## INDEPENDENT AUDITOR'S 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

To the Township Board  
Township of Union, 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, each major fund, and the aggregate remaining fund information of Township of Union, Michigan, as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the Township of Union, Michigan's basic financial statements, and have issued our report thereon dated August 21, 2013.

### Internal Control Over Financial Reporting

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

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

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

David F. Locey, CPA – 1984, Senior Partner  
Joy Stevens – 1984 – Partner  
Andy Brown – 2009 - CPA

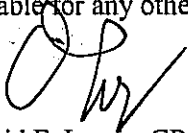
Member AICPA Member MACPA Quality Review Certified 1991 – 2009 Operation Since 1984

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township of Union, Michigan'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 direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## **Purpose of this Report**

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



David F. Locey, CPA, PC  
Sturgis, MI  
August 21, 2013

# David F. Locey, C.P.A., P.C. Certified Public Accountant

P.O. Box 7037  
67036 N. M-66  
Sturgis, MI 49091

269-651-4225  
(Fax) 269-651-1989  
[loceycpa@voyager.net](mailto:loceycpa@voyager.net)  
[www.usa-tax-help.com](http://www.usa-tax-help.com)

---

To the Township Board  
Union Township, Michigan

## COMMENTS AND RECOMMENDATIONS

We appreciate the opportunity of serving your Board in performing the examination of your records for the year ended March 31, 2013. In the course of our examination we recommend the following improvements in procedure for your record keeping:

Separate self balancing funds must be set up for each fund. Our firm set this up for the Township, but it was decided by the Board not to utilize the separate funds. Self balancing funds are required by the State of Michigan. This needs to be implemented to be in compliance. These include the General Fund, Special Assessments, Cemetery/Trust, and Fire/Cemetery Fund.

David F. Locey, CPA, PC  
August 21, 2013