

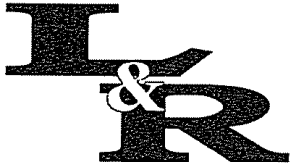
CHARTER TOWNSHIP OF COMMERCE
OAKLAND COUNTY, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
AND
INDEPENDENT AUDITORS' REPORT

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Layton & Richardson, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Township Board
Charter Township of Commerce
Oakland County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the **Charter Township of Commerce**, as of and for the year ended December 31, 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Commerce, as of December 31, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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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 on pages 3-8 and 56-62 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Commerce's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, are 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 June 15, 2017, on our consideration of the Charter Township of Commerce's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter Township of Commerce's internal control over financial reporting and on compliance.



Certified Public Accountants

June 15, 2017
East Lansing, Michigan

Charter Township of Commerce, Michigan

Management's Discussion and Analysis

Our discussion and analysis of Commerce Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The Township is in a very strong financial position when viewed from the "current financial resources" perspective. Its governmental funds ended 2016 with \$29.2 million of fund balance, which represents 16 months of governmental revenue (14 months of expenditures). However, from the longer term "total economic resources" perspective, the Township has an obligation to support the debt service requirements of the Downtown Development Authority (a discretely presented component unit). As discussed in further detail below, the DDA has incurred debt that the Township has guaranteed; the Township has recorded a liability of \$24 million as the present value of the estimated outflows it currently expects to make to support this debt.

In planning for this financial obligation, the Township requested additional funding from its residents for police and fire, in order to free up sufficient resources in the General Fund to support the DDA debt. The voters approved a special assessment of 2.7 mills for police, and 2.0 mills for fire. This new revenue began with the 2011 budget. The Township continues to monitor the estimated selloff of the land holdings as well as the DDA expenditures, and feels that it has an adequate plan in place to manage the long-term commitment through 2034, when the DDA debt matures. Subsequent to that, the Township anticipates the DDA will continue to capture taxes sufficient to repay the Township for its advances related to the debt service.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position 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 fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Charter Township of Commerce, Michigan

Management's Discussion and Analysis (Concluded)

Condensed Financial Information – Government-wide Statements

The following table shows, in a condensed format, the current year's net position compared to the prior year (amounts are in thousands of dollars):

	Governmental Activities		Business Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Cash and investments	\$ 30,165	\$ 38,446	\$ 19,629	\$ 20,668	\$ 49,794	\$ 59,114
Other current assets	14,223	9,140	4,711	4,250	18,934	13,390
Long term advance to DDA	8,150	6,650	-	-	8,150	6,650
Capital assets	30,617	24,902	116,121	117,236	146,738	142,138
Total assets	83,155	79,138	140,461	142,154	223,616	221,292
Current liabilities	1,662	1,532	2,510	3,217	4,172	4,749
Long-term liabilities	24,717	28,949	41,922	43,045	66,639	71,994
Total liabilities	26,379	30,481	44,432	46,262	70,811	76,743
Deferred inflows of resources	13,009	13,652	-	-	13,009	13,652
Net position:						
Net investment in capital assets	30,022	23,827	73,105	73,146	103,127	96,973
Restricted	9,349	14,360	5,849	5,708	15,198	20,068
Unrestricted	4,396	(3,182)	17,075	17,038	21,471	13,856
Total net position	<u>\$ 43,767</u>	<u>\$ 35,005</u>	<u>\$ 96,029</u>	<u>\$ 95,892</u>	<u>\$ 139,796</u>	<u>\$ 130,897</u>

Charter Township of Commerce, Michigan

Management's Discussion and Analysis (Concluded)

The following table shows the current year's change in net position compared to the prior year (amounts in thousands of dollars):

	Governmental Activities		Business Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenue						
Program revenue:						
Charges for services	\$ 1,079	\$ 1,931	\$ 18,791	\$ 13,841	\$ 19,870	\$ 15,772
Grants & donations	313	32	-	2,438	313	2,470
General revenue:						
Property taxes & assessments	16,198	14,836	-	-	16,198	14,836
State shared revenue	2,833	2,804	-	-	2,833	2,804
Miscellaneous	587	517	-	-	587	517
Investment earnings	442	542	178	229	620	771
Debt guarantee recovery	3,760	655	-	-	3,760	655
Transfers	-	51	-	(51)	-	-
Total revenue	<u>25,212</u>	<u>21,368</u>	<u>18,969</u>	<u>16,457</u>	<u>44,181</u>	<u>37,825</u>
Program Expenses						
General government	3,452	2,049	-	-	3,452	2,049
Public safety	8,012	7,947	-	-	8,012	7,947
Public works	2,718	27	18,832	16,918	21,550	16,945
Community development	190	2,671	-	-	190	2,671
Culture and recreation	925	1,546	-	-	925	1,546
Other	1,127	-	-	-	1,127	-
Interest on long-term debt	26	170	-	-	26	170
Total expenses	<u>16,450</u>	<u>14,410</u>	<u>18,832</u>	<u>16,918</u>	<u>35,282</u>	<u>31,328</u>
Change in Net Position	<u>\$ 8,762</u>	<u>\$ 6,958</u>	<u>\$ 137</u>	<u>\$ (461)</u>	<u>\$ 8,899</u>	<u>\$ 6,497</u>

Government-Wide Financial Analysis

In 2016, total primary government revenues exceeded expenses by \$8.8 million. Despite the increase in net position, total cash and investments decreased by \$8.3 million because tax receipts in December 2016 were less than those in December 2015. Additionally, the Township spent over \$6.5 million on governmental activities capital asset additions. During 2016, the Township advanced an additional \$1.5 million to the DDA. It is anticipated that after the DDA's debt matures in 2034, the DDA will continue to capture taxes sufficient to repay the Township for its advances related to the debt service. The change in the estimated guarantee of \$6.1 million, net of the interest cost of \$840,000 for the current year, resulted in a "debt guarantee recovery" of \$3.8 million.

The Water and Sewer system experienced an increase in sales revenue due to an increase in the amount of waste water treatment plant charges of \$3.7 million. Sewage treatment expenses increased by \$1.6 million. In addition, the Water fund saw increased operating revenues of \$1.2 million.

Charter Township of Commerce, Michigan

Management's Discussion and Analysis (Concluded)

The Township's Funds

Our analysis of the Township's major funds begins on page 16, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2016 include the following:

- General Fund
- Fire Fund
- Police Fund
- Library Fund
- Improvement and Building Fund
- Debt Sinking Fund
- Wastewater Treatment Plant Fund (Enterprise fund), and
- Water Supply Fund (Enterprise fund).

Additional funds that are not individually reported as "major" funds include the numerous special assessment project funds, as well as the following funds: Open Space Fund, Building Inspection Fund, Community Development Fund, Museum Fund, and Cemetery Fund. Most individually significant activities are financed by dedicated revenue sources, and are reported in individual funds. The General Fund is used to report the remaining activity that does not have a dedicated revenue source, such as most administrative activities, plus elections, assessing, ordinance enforcement, planning, SMART bus transportation, street lighting, parks and recreation.

Comments regarding significant events in the individual funds is as follows:

- The General Fund continued its annual transfer (\$3.0 million in 2016) to the Debt Sinking Fund. This amount is intended to provide sufficient resources to honor the full faith and credit obligation on the DDA's debt. We currently anticipate that the DDA will need support making its debt payments, which mature through 2034. We also anticipate that the DDA will continue to capture taxes subsequent to that, which will be used to repay the Township for these advances.
- The Wastewater Treatment Plant Fund and the Water Supply Fund both have set their operating rates sufficient to meet all cash outlay operating costs (excluding depreciation) plus a portion of the wastewater treatment plant debt service related costs and reserve for long-term repair, replacement, and construction costs. The cost of debt related to the infrastructure is financed from tap in fees, much of which has already been collected, when the customers tapped into the system. The Wastewater Treatment Plant Fund increased its net position by \$662,000 while the Water Supply Fund's net position decreased by \$525,000 due to increased rates from the Great Lakes Water Authority that were not immediately passed on to customers. The Wastewater Treatment Plant Fund increase its cash balance by \$2.4 million while the Water Supply Fund's cash balance decreased by \$3.5 million due to purchases of capital assets totaling \$3.1 million.

Charter Township of Commerce, Michigan

Management's Discussion and Analysis (Concluded)

General Fund Budgetary Highlights

During 2015 the General Fund revenue budget was amended to refine estimates of various revenues; the adjustments to appropriations related to changes in approved spending programs, including a reduction in public works appropriations.

During the year, actual revenues were \$622,000 greater than budgetary estimates. Expenditures were greater than budget by \$505,000, largely due to the transfer of \$325,000 to a trust to fund retiree health benefits. Following transfers out, the fund balance increased \$27,000.

Capital Asset and Debt Administration

At the end of 2016, the Township had \$147 million invested in a broad range of capital assets, including buildings, office equipment, fire vehicles and equipment, a wastewater treatment plant, and water and sewer lines. During 2016, the governmental activities replaced or improved over \$6.5 million of capital assets. The business-type activities expended \$3.1 million for capital asset improvements.

The Township's only governmental activity debt consists of \$595,000 of special assessment bonds that will be repaid from the collections from the special assessment roll. Business-type activity debt is \$43 million, which will be repaid from a combination of tap in fees (much of which has already been collected as customers tapped in) and future user charges.

As discussed in the "financial highlights" section, the Township is also obligated to assist the Downtown Development Authority (a discretely presented component unit) in its debt service obligations. The DDA has incurred \$62.9 million of long-term debt that was used to acquire property and construct the Martin Parkway road. The intent was to re-sell the land to be developed, and the land sale proceeds would have serviced the debt. However, the recession of 2008-2010 has reduced the fair market value of the land, and current projections estimate the land may ultimately sell for approximately half this amount. The future DDA tax captures will make up much of this difference, but the Township has begun making advances to the DDA in order to enable it to make its scheduled debt service payments.

The Charter Township of Commerce's most recent debt issuances received ratings of AA+ and AAA from Standard & Poor's and Aa1 from Moody's.

Economic Factors and Next Year's Budgets and Rates

In 2017 we expect to see modest increases in property tax/Act 33 special assessment revenue and state shared revenue (our two largest revenue sources).

In January 2017 the \$8 million dollar library opened serving upward of 400 patrons per day, with 1100 patrons per day during the Walled Lake Consolidated Schools Art Exhibit held at the facility. Construction of the Library was completed without issuing debt.

Charter Township of Commerce, Michigan

Management's Discussion and Analysis (Concluded)

In April 2017 the Township issued refunding bonds for certain capital improvements. Refunding bonds are used to retire existing debt by the issuance of new bonds (usually at a lower rate of interest). The refunding bonds issued in April will save the Township approximately \$900,000 over the next 23 years.

Commerce Township, along with the cities of Walled Lake and Wixom, is a member of the Commerce, Walled Lake, and Wixom Trailway Management Council. In early 2017 the Trailway Management Council acquired five miles of abandoned railroad right of way for a "rails to trails" pathway to be known as the Michigan Air Line Trail. This acquisition was funded utilizing Michigan Department of Natural Resources Trust Fund and Michigan Department of Transportation Grant monies. The five mile stretch of pathway will be an integral part of the non-motorized transportation initiative in Michigan working to connect Lake Huron to Lake Michigan across the state. The official opening of the Michigan Airline Trail will take place once the construction of a non-motorized bridge crossing M-5 is complete. Construction of the bridge is set to begin in 2018 using primarily Federal Highway Administration monies from the Congestion Mitigation and Air Quality (CMAQ) program.

The Downtown Development Authority ("DDA") has made significant progress in selling property, including several purchase proposals currently in the works. Development of those properties will result in increased tax revenue to the Township as well as increased revenue for the DDA that will allow it to better support its debt service obligations.

The Commerce Township two million gallon Water Storage Tank was put into service in the spring of 2017. The tank was installed to provide additional reliability to the water system and to reduce the "peak" water usage from the Great Lakes Water Authority (GLWA). The tank fills during non-peak usage hours and empties during peak usage hours so that Commerce Township's wholesale water rate can be renegotiated with the GLWA. The Water Storage Tank is expected to reduce the wholesale water purchase cost from GLWA by approximately \$1.5 million per year starting in July of 2018. The Water Storage Tank was completed without issuing additional debt.

Requests for Information

This financial report is designed to provide a general overview of the Charter Township of Commerce's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Supervisor, 2009 Township Drive, Commerce Township, MI 48390.

GENERAL PURPOSE FINANCIAL STATEMENTS

General purpose financial statements provide a summary overview of the financial position of all funds and of the operating results of all funds. They also serve as an introduction to the more detailed statements and schedules that follow.

CHARTER TOWNSHIP OF COMMERCE

STATEMENT OF NET POSITION

DECEMBER 31, 2016

ASSETS

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
ASSETS				
Current Assets				
Cash	\$ 29,125,099	\$ 19,228,614	\$ 48,353,713	\$ 754,353
Investments	1,040,000	400,000	1,440,000	
Receivables				
Interest	6,181	2,133	8,314	
Debt guarantee interest	261,695		261,695	
Taxes	13,009,378		13,009,378	
Accounts	457,724	4,419,839	4,877,563	
Special assessments	125,785		125,785	
Prepaid expenses	63,542	44,590	108,132	3,344
Land held for sale				17,611,941
Due from				
Other funds		22,280	22,280	
Other governmental units	23,028	221,564	244,592	
Noncurrent Assets				
Long-term advance	8,150,000		8,150,000	
Net OPEB asset	274,953		274,953	
Fixed assets not being depreciated	12,543,140		12,543,140	
Fixed assets (net of accumulated depreciation)	<u>18,074,132</u>	<u>116,121,459</u>	<u>134,195,591</u>	
TOTAL ASSETS	\$ <u>83,154,657</u>	\$ <u>140,460,479</u>	\$ <u>223,615,136</u>	\$ <u>18,369,638</u>

See accompanying notes to financial statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
LIABILITIES				
Current Liabilities				
Payables				
Accounts	\$ 1,372,394	\$ 1,227,115	\$ 2,599,509	\$ 11,485
Payroll and payroll taxes	115,614		115,614	
Due to other funds	6,953		6,953	
Due to other units		31,751	31,751	
Accrued interest	1,439	155,995	157,434	293,290
Accrued interest - debt guarantee				261,695
Bonds and notes payable	165,000	1,095,000	1,260,000	1,120,000
Noncurrent Liabilities				
Bonds and notes payable	430,000	41,921,509	42,351,509	61,800,000
Debt guarantee	24,242,320		24,242,320	
Long-term advance				8,150,000
Accrued sick and vacation pay	<u>44,903</u>	<u> </u>	<u>44,903</u>	<u> </u>
TOTAL LIABILITIES	<u>26,378,623</u>	<u>44,431,370</u>	<u>70,809,993</u>	<u>71,636,470</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for the following year and special assessments	<u>13,009,378</u>	<u> </u>	<u>13,009,378</u>	<u> </u>
NET POSITION				
Net investment in capital assets	30,022,272	73,104,950	103,127,222	(43,563,059)
Restricted for				
Debt service	724,112		724,112	
Major maintenance		1,052,939	1,052,939	
Emergency repair		1,175,349	1,175,349	
Capital improvement		3,621,040	3,621,040	
Special purposes	8,624,785		8,624,785	
Unrestricted	<u>4,395,487</u>	<u>17,074,831</u>	<u>21,470,318</u>	<u>(9,703,773)</u>
TOTAL NET POSITION	<u>43,766,656</u>	<u>96,029,109</u>	<u>139,795,765</u>	<u>(53,266,832)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 83,154,657</u>	<u>\$ 140,460,479</u>	<u>\$ 223,615,136</u>	<u>\$ 18,369,638</u>

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM REVENUES		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
FUNCTIONS/PROGRAMS			
Primary Government			
Governmental Activities			
General government	\$ 3,452,284	\$ 975,339	\$
Public safety	8,012,121	56,278	
Public works	2,718,050	18,004	312,750
Community development and enrichment	190,105	28,440	
Culture and recreation	925,027	868	
Other	1,127,215		
Interest on long-term debt	26,021		
	<u>16,450,823</u>	<u>1,078,929</u>	<u>312,750</u>
Total Governmental Activities			
Business-Type Activities			
Wastewater	11,893,445	12,435,188	
Water	6,938,618	6,355,557	
	<u>18,832,063</u>	<u>18,790,745</u>	
Total Business-Type Activities			
Total Primary Government	<u>\$ 35,282,886</u>	<u>\$ 19,869,674</u>	<u>\$ 312,750</u>
Component Units			
Downtown Development Authority	<u>\$ 2,338,908</u>	<u>\$</u>	<u>\$</u>
General Revenues and Transfers			
Property taxes			
Special assessments			
Debt guarantee			
Miscellaneous			
Loss on sale of land			
State shared revenue			
Unrestricted investment earnings			
Total General Revenues and Transfers			
Change in Net Position			
Net Position, January 1			
Net Position, December 31			

See accompanying notes to financial statements.

NET (EXPENSE) REVENUE AND
CHANGES IN NET POSITION

PRIMARY GOVERNMENT			COMPONENT UNIT
GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL	
\$ (2,476,945)	\$	\$ (2,476,945)	\$
(7,955,843)		(7,955,843)	
(2,387,296)		(2,387,296)	
(161,665)		(161,665)	
(924,159)		(924,159)	
(1,127,215)		(1,127,215)	
(26,021)		(26,021)	
<u>(15,059,144)</u>		<u>(15,059,144)</u>	
	541,743	541,743	
	<u>(583,061)</u>	<u>(583,061)</u>	
	(41,318)	(41,318)	
<u>(15,059,144)</u>	<u>(41,318)</u>	<u>(15,100,462)</u>	
			<u>(2,338,908)</u>
6,887,178		6,887,178	1,343,990
9,311,282		9,311,282	
3,759,820		3,759,820	
587,503		587,503	33,883
2,832,858		2,832,858	(335,445)
441,740	178,473	620,213	6,755
<u>23,820,381</u>	<u>178,473</u>	<u>23,998,854</u>	<u>1,049,183</u>
8,761,237	137,155	8,898,392	(1,289,725)
<u>35,005,419</u>	<u>95,891,954</u>	<u>130,897,373</u>	<u>(51,977,107)</u>
<u>\$ 43,766,656</u>	<u>\$ 96,029,109</u>	<u>\$ 139,795,765</u>	<u>\$ (53,266,832)</u>

CHARTER TOWNSHIP OF COMMERCE

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2016

	GENERAL	FIRE	POLICE
ASSETS			
Cash	\$ 10,850,584	\$ 3,024,096	\$ 944,533
Investments	200,000		
Receivables			
Interest	1,267		
Taxes	2,616,962	3,181,245	4,655,062
Accounts	457,724		
Special assessments			
Due from			
Other funds	126,996	3,663	
Other governmental units			
Prepaid expenses	<u>26,755</u>	<u>24,525</u>	<u> </u>
TOTAL ASSETS	<u>\$ 14,280,288</u>	<u>\$ 6,233,529</u>	<u>\$ 5,599,595</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Payables			
Accounts	\$ 71,362	\$ 37,765	\$ 381,973
Payroll and payroll taxes	40,494	46,955	
Due to other funds			
TOTAL LIABILITIES	<u>111,856</u>	<u>84,720</u>	<u>381,973</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for the following year and special assessments	2,616,962	3,181,245	4,655,062
Unavailable revenue			
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,616,962</u>	<u>3,181,245</u>	<u>4,655,062</u>
FUND BALANCE			
Nonspendable	26,755	24,525	
Restricted		2,943,039	562,560
Committed	1,291,495		
Assigned	731,933		
Unassigned	<u>9,501,287</u>	<u> </u>	<u> </u>
TOTAL FUND BALANCE	<u>11,551,470</u>	<u>2,967,564</u>	<u>562,560</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 14,280,288</u>	<u>\$ 6,233,529</u>	<u>\$ 5,599,595</u>

See accompanying notes to financial statements.

LIBRARY	IMPROVEMENT AND BUILDING	DEBT SINKING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 1,857,086 500,000	\$ 905,771	\$ 7,752,445	\$ 3,790,584 340,000	\$ 29,125,099 1,040,000
3,167 1,836,413			1,747 719,696	6,181 13,009,378
			125,785	457,724 125,785
			19,573 23,028 1,115	150,232 23,028 63,542
<u>11,147</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
\$ <u>4,207,813</u>	\$ <u>905,771</u>	\$ <u>7,752,445</u>	\$ <u>5,021,528</u>	\$ <u>44,000,969</u>
\$ 626,702 20,354 624	\$ 212,185	\$	\$ 42,407 7,811 156,561	\$ 1,372,394 115,614 157,185
<u>647,680</u>	<u>212,185</u>	<u> </u>	<u>206,779</u>	<u>1,645,193</u>
1,836,413			719,696 125,785	13,009,378 125,785
<u>1,836,413</u>	<u> </u>	<u> </u>	<u>845,481</u>	<u>13,135,163</u>
11,147 1,712,573	693,586	7,752,445	1,115 3,968,153	63,542 9,186,325 9,737,526 731,933 9,501,287
<u>1,723,720</u>	<u>693,586</u>	<u>7,752,445</u>	<u>3,969,268</u>	<u>29,220,613</u>
\$ <u>4,207,813</u>	\$ <u>905,771</u>	\$ <u>7,752,445</u>	\$ <u>5,021,528</u>	\$ <u>44,000,969</u>

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CHARTER TOWNSHIP OF COMMERCE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
DECEMBER 31, 2016

Total fund balances - governmental funds		\$ 29,220,613
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$39,948,551 and the accumulated depreciation is \$9,331,279.		30,617,272
Long-term assets, including long-term advances, are not due and receivable in the current period and therefore are not reported as assets in the funds.		8,150,000
Interest receivable from long term advances.		261,695
Retiree health insurance earned by eligible employees is not payable in the current period and therefore is not reported in the funds. However, these amounts are included in the statement of net position.		274,953
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of:		
Bonds payable	\$ (595,000)	
Accrued compensated absences	(44,903)	
Debt guarantee	(24,242,320)	
Accrued interest	<u>(1,439)</u>	
		(24,883,662)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Unavailable revenue - special assessments		<u>125,785</u>
Total net position - governmental activities		<u><u>\$ 43,766,656</u></u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	GENERAL	FIRE	POLICE
REVENUES			
Taxes	\$ 2,505,602	\$ 3,081,272	\$ 4,471,527
Licenses and permits	717,519		
Intergovernmental	3,163,612		
Charges for services and special assessments	314,098		
Fines and forfeits	100,827		
Interest and rentals	203,508	27,868	14,655
Other revenues	<u>115,882</u>	<u>35,761</u>	<u>149,032</u>
TOTAL REVENUES	<u>7,121,048</u>	<u>3,144,901</u>	<u>4,635,214</u>
EXPENDITURES			
General government	2,868,094		
Public safety	229,601	2,801,819	4,573,812
Public works	62,273		
Culture and recreation	381,901		
Debt service			
Principal retirement			
Interest and fiscal charges			
Refunds			
Other			
Capital outlay			
TOTAL EXPENDITURES	<u>3,541,869</u>	<u>2,801,819</u>	<u>4,573,812</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,579,179</u>	<u>343,082</u>	<u>61,402</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in			
Operating transfers out	<u>(3,552,000)</u>		
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,552,000)</u>		
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	27,179	343,082	61,402
FUND BALANCE, JANUARY 1	<u>11,524,291</u>	<u>2,624,482</u>	<u>501,158</u>
FUND BALANCE, DECEMBER 31	<u>\$ 11,551,470</u>	<u>\$ 2,967,564</u>	<u>\$ 562,560</u>

See accompanying notes to financial statements.

LIBRARY	IMPROVEMENT AND BUILDING	DEBT SINKING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 1,640,872	\$	\$	\$ 651,998	\$ 12,351,271
			28,440	717,519
868	2,581,080		1,347,702	3,192,052
41,271	3,708	62,953	22,770	4,243,748
136,961	44,904		4,136	100,827
<u>1,819,972</u>	<u>2,629,692</u>	<u>62,953</u>	<u>2,055,046</u>	<u>486,676</u>
				2,868,094
			523,889	8,129,121
7,007,226			221,018	62,273
			480,000	7,610,145
			27,623	480,000
			1,127,215	27,623
		1,500,000		1,127,215
	<u>2,655,777</u>	<u>1,500,000</u>	<u>2,379,745</u>	<u>1,500,000</u>
<u>7,007,226</u>	<u>2,655,777</u>	<u>1,500,000</u>	<u>2,379,745</u>	<u>2,655,777</u>
<u>(5,187,254)</u>	<u>(26,085)</u>	<u>(1,437,047)</u>	<u>(324,699)</u>	<u>(2,991,422)</u>
	550,000	3,000,000	2,000	3,552,000
				<u>(3,552,000)</u>
	<u>550,000</u>	<u>3,000,000</u>	<u>2,000</u>	
(5,187,254)	523,915	1,562,953	(322,699)	(2,991,422)
<u>6,910,974</u>	<u>169,671</u>	<u>6,189,492</u>	<u>4,291,967</u>	<u>32,212,035</u>
\$ <u>1,723,720</u>	\$ <u>693,586</u>	\$ <u>7,752,445</u>	\$ <u>3,969,268</u>	\$ <u>29,220,613</u>

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CHARTER TOWNSHIP OF COMMERCE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Net changes in fund balances - total governmental funds	\$ (2,991,422)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives.	
Expenditures for capital assets	6,511,761
Less: current year depreciation	(791,697)
Less: loss on sale of assets	(4,692)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred inflows - special assessments	(85,806)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.	
Accrued interest	1,437
Accrued sick and vacation	(1,602)
Retiree health insurance	318,431
Interest receivable on long-term advance	65,007
Long term advance	1,500,000
Principal payments	480,000
Debt guarantee reduction	<u>3,759,820</u>
Change in net position of governmental activities	<u>\$ 8,761,237</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2016

BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS

	WASTE WATER TREATMENT PLANT	WATER SUPPLY	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 13,715,130	\$ 5,513,484	\$ 19,228,614
Investments		400,000	400,000
Accounts receivable	2,413,710	2,006,129	4,419,839
Interest receivable		2,133	2,133
Due from other funds	32,418	221,568	253,986
Due from other units	218,740	2,824	221,564
Prepaid expenses	44,590		44,590
	<u>16,424,588</u>	<u>8,146,138</u>	<u>24,570,726</u>
PROPERTY, PLANT AND EQUIPMENT			
Construction in progress		6,880,638	6,880,638
Buildings and structures	130,255,177	37,683,550	167,938,727
Less: accumulated depreciation	<u>44,083,140</u>	<u>14,614,766</u>	<u>58,697,906</u>
	<u>86,172,037</u>	<u>29,949,422</u>	<u>116,121,459</u>
NET PROPERTY, PLANT AND EQUIPMENT			
	<u>86,172,037</u>	<u>29,949,422</u>	<u>116,121,459</u>
TOTAL ASSETS	\$ <u><u>102,596,625</u></u>	\$ <u><u>38,095,560</u></u>	\$ <u><u>140,692,185</u></u>

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS

	WASTE WATER TREATMENT PLANT	WATER SUPPLY	TOTAL
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 420,225	\$ 806,890	\$ 1,227,115
Due to other funds	231,489	217	231,706
Due to other units	31,751		31,751
Accrued interest	155,995		155,995
Bonds payable	<u>1,095,000</u>		<u>1,095,000</u>
TOTAL CURRENT LIABILITIES	<u>1,934,460</u>	<u>807,107</u>	<u>2,741,567</u>
LONG-TERM LIABILITIES			
Bonds payable	<u>41,921,509</u>		<u>41,921,509</u>
TOTAL LIABILITIES	<u>43,855,969</u>	<u>807,107</u>	<u>44,663,076</u>
NET POSITION			
Net investment in capital assets	43,155,528	29,949,422	73,104,950
Restricted for			
Major maintenance	867,886	185,053	1,052,939
Emergency repair	175,724	999,625	1,175,349
Capital improvement	1,236,314	2,384,726	3,621,040
Unrestricted	<u>13,305,204</u>	<u>3,769,627</u>	<u>17,074,831</u>
TOTAL NET POSITION	<u>58,740,656</u>	<u>37,288,453</u>	<u>96,029,109</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 102,596,625</u>	<u>\$ 38,095,560</u>	<u>\$ 140,692,185</u>

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	WASTE WATER TREATMENT PLANT	WATER SUPPLY	TOTAL
OPERATING REVENUES			
Charges for services	\$ <u>12,435,188</u>	\$ <u>6,355,557</u>	\$ <u>18,790,745</u>
OPERATING EXPENSES			
Engineering	111,477	62,882	174,359
Maintenance	52,047	496,468	548,515
Sewage treatment	4,005,942		4,005,942
Pump maintenance	967,544	57,157	1,024,701
System control	213,759	35,804	249,563
Plan review and permitting	638,490	37,965	676,455
Inspection	51,718		51,718
IPP	19,259		19,259
Mapping	38,486	22,809	61,295
Billing services	79,082	71,488	150,570
Professional and contractual services	35,594	1,188	36,782
Depreciation	3,256,379	941,927	4,198,306
General and administrative	409,094	58,685	467,779
Water purchases		<u>5,152,245</u>	<u>5,152,245</u>
TOTAL OPERATING EXPENSES	<u>9,878,871</u>	<u>6,938,618</u>	<u>16,817,489</u>
OPERATING INCOME (LOSS)	<u>2,556,317</u>	<u>(583,061)</u>	<u>1,973,256</u>
NONOPERATING REVENUES (EXPENSES)			
Interest earned	120,709	57,764	178,473
Interest expense	<u>(2,014,574)</u>		<u>(2,014,574)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(1,893,865)</u>	<u>57,764</u>	<u>(1,836,101)</u>
NET GAIN (LOSS)	662,452	(525,297)	137,155
NET POSITION, JANUARY 1	<u>58,078,204</u>	<u>37,813,750</u>	<u>95,891,954</u>
NET POSITION, DECEMBER 31	<u>\$ <u>58,740,656</u></u>	<u>\$ <u>37,288,453</u></u>	<u>\$ <u>96,029,109</u></u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	WASTEWATER TREATMENT PLANT	WATER SUPPLY	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 12,246,601	\$ 6,143,827	\$ 18,390,428
Cash payment for goods and services	<u>(6,840,102)</u>	<u>(6,597,368)</u>	<u>(13,437,470)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>5,406,499</u>	<u>(453,541)</u>	<u>4,952,958</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of fixed assets		(3,083,468)	(3,083,468)
Principal payments	(1,875,000)		(1,875,000)
Unamortized bond discount	801,705		801,705
Decrease in investments		1,467	1,467
Interest and fiscal charges paid	<u>(2,014,574)</u>	<u> </u>	<u>(2,014,574)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,087,869)</u>	<u>(3,082,001)</u>	<u>(6,169,870)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>120,709</u>	<u>57,764</u>	<u>178,473</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,439,339	(3,477,778)	(1,038,439)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>11,275,791</u>	<u>8,991,262</u>	<u>20,267,053</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 13,715,130</u>	<u>\$ 5,513,484</u>	<u>\$ 19,228,614</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - Concluded
FOR THE YEAR ENDED DECEMBER 31, 2016

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	WASTEWATER TREATMENT PLANT	WATER SUPPLY	TOTAL
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ <u>2,556,317</u>	\$ <u>(583,061)</u>	\$ <u>1,973,256</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	3,256,379	941,927	4,198,306
(Increase) decrease in receivables	(230,486)	(286,961)	(517,447)
(Increase) decrease in due to other units	41,900	19,029	60,929
(Increase) decrease in prepaid expenses	(4,992)		(4,992)
Increase (decrease) in accounts payable	(87,526)	(544,475)	(632,001)
Increase (decrease) in accrued interest	(16,097)		(16,097)
Increase (decrease) in due to other units	<u>(108,996)</u>		<u>(108,996)</u>
Total adjustments	<u>2,850,182</u>	<u>129,520</u>	<u>2,979,702</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ <u><u>5,406,499</u></u>	\$ <u><u>(453,541)</u></u>	\$ <u><u>4,952,958</u></u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE

FIDUCIARY FUNDS

COMBINING BALANCE SHEET

DECEMBER 31, 2016

	<u>AGENCY FUNDS</u>		<u>TRUST FUND</u>	
	TRUST AND AGENCY	CURRENT TAX COLLECTION	DEFINED CONTRIBUTION PENSION PLAN	TOTALS
ASSETS				
Cash and cash equivalents	\$ 991,800	\$ 10,053,364	\$	\$ 11,045,164
Investments			4,268,738	4,268,738
Due from other funds	<u>259,314</u>	<u></u>	<u></u>	<u>259,314</u>
TOTAL ASSETS	<u>\$ 1,251,114</u>	<u>\$ 10,053,364</u>	<u>\$ 4,268,738</u>	<u>\$ 15,573,216</u>
LIABILITIES				
Deposits payable				
Refundable bonds	\$ 392,935	\$	\$	\$ 392,935
Escrow deposits	583,738			583,738
Due to other funds	272,315	2,326		274,641
Due to other governmental units		10,051,038		10,051,038
Other liabilities	<u>2,126</u>	<u></u>	<u></u>	<u>2,126</u>
TOTAL LIABILITIES	<u>1,251,114</u>	<u>10,053,364</u>	<u></u>	<u>11,304,478</u>
NET POSITION				
Held in trust for benefits			<u>4,268,738</u>	<u>4,268,738</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,251,114</u>	<u>\$ 10,053,364</u>	<u>\$ 4,268,738</u>	<u>\$ 15,573,216</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

	PENSION TRUST
ADDITIONS	
Contributions	
Employer	\$ 323,782
Investment income	
Gain on investments	<u>559,206</u>
TOTAL ADDITIONS	<u>882,988</u>
DEDUCTIONS	
Benefits	
Refunds of contributions	<u>671,716</u>
NET INCREASE	211,272
NET POSITION, JANUARY 1	<u>4,057,466</u>
NET POSITION, DECEMBER 31	<u><u>\$ 4,268,738</u></u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF NET POSITION
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
DECEMBER 31, 2016

ASSETS		
Cash and cash equivalents		\$ 754,353
Prepaid expenses		3,344
Land held for sale		<u>17,611,941</u>
TOTAL ASSETS		\$ <u>18,369,638</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
Current Liabilities		
Accounts payable		\$ 11,485
Accrued interest		293,290
Accrued interest - debt guarantee		261,695
Bonds payable		1,120,000
Noncurrent Liabilities		
Long-term advance		8,150,000
Long-term debt obligations		<u>60,055,000</u>
TOTAL LIABILITIES		<u>69,891,470</u>
DEFERRED INFLOWS OF RESOURCES		
Unamortized bond discount		<u>1,745,000</u>
NET POSITION		
Restricted - Commerce Towne Place pathway		268,656
Unrestricted		<u>(53,535,488)</u>
TOTAL NET POSITION		<u>(53,266,832)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		\$ <u>18,369,638</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF ACTIVITIES
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM REVENUES			TOTAL
EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	DOWNTOWN DEVELOPMENT AUTHORITY
Component Unit Downtown Development Authority	\$ <u>2,338,908</u>	\$ <u> </u>	\$ <u> </u>	\$ <u>(2,338,908)</u>
General Revenues				
Property taxes				1,343,990
Miscellaneous				33,883
Loss on sale of land				(335,445)
Unrestricted investment earnings				<u>6,755</u>
Total General Revenues and Transfers				<u>1,049,183</u>
Change in Net Position				(1,289,725)
Net Position, January 1				<u>(51,977,107)</u>
Net Position, December 31				<u>\$ (53,266,832)</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Charter Township of Commerce was incorporated as a Michigan Charter Township under the provisions of P.A. 359 of 1947, as amended. The Township was originally organized in 1834 and covers an area of approximately 28 square miles. The Township operates under an elected Board of Trustees and provides services to approximately 42,000 residents (which includes Village of Wolverine Lake) including police and fire protection, building ordinance enforcement, road improvements, community services and enrichment, elections, tax assessments, planning, sewer and water, refuse disposal, street lighting, dust control, and aquatic weed control.

The accounting policies of the Charter Township of Commerce conform to U.S. generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

A. Reporting Entity

All funds and account groups under direct control of the Township are included in this report. These funds and account groups are those which meet the criteria established by Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, and *Statement on Michigan Governmental Accounting and Auditing No. 5*.

The criteria established by GASB for determining which of the Township's various organizations and activities are to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

Discretely Presented Component Units

The following entity is listed as a discretely presented component unit of the Township in the component unit column to emphasize its legally separate status from the primary government. The Township is financially accountable, and exclusion from the general-purpose financial statements would be misleading or incomplete.

Downtown Development Authority

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government of the Charter Township of Commerce and its component unit. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are 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 services. The primary government of the Charter Township of Commerce is reported separately from certain legally separate component units for which the Charter Township of Commerce, the primary government, is financially accountable.

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Continued

B. Government-Wide and Fund Financial Statements - Concluded

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and the fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are reported 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 revenues 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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 Charter Township of Commerce.

The Charter Township of Commerce 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 to be accounted for in another fund.

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements – Concluded

The Fire Fund accounts for the millage levied for the fire department and the associated expenses incurred.

The Library Fund accounts for the millage levied for the library and the associated expenses incurred.

The Police Fund accounts for the millage levied for the police and the associated expenses incurred.

The Improvement and Building Fund accounts for major improvements within the Township.

The Debt Sinking Fund accounts for general fund money set aside by board resolution to pay for future debt.

The Charter Township of Commerce reports the following major proprietary funds:

The Wastewater Treatment Plant Fund accounts for major improvements and sewer projects.

The Water Supply Fund accounts for major improvements and water projects.

The water distribution and sewage collection is administered by Oakland County.

Additionally, the Charter Township of Commerce reports the following fund types:

The Pension Trust Fund accounts for the activities of the Township employees' retirement system, which accumulates resources for pension benefit payments to qualified Township employees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services and privileges provided 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general revenue.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from provided services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service 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.

When both restricted and unrestricted resources are available for use, it is the Charter Township of Commerce's policy to use restricted resources first. Unrestricted resources are used as they are needed.

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Continued

D. Budgets

The Township prepares annual budgets for its General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds on the modified accrual basis, which is consistent with U.S. generally accepted accounting principles. Under the modified accrual basis, outstanding encumbrances are recognized as expenditures when goods or services are performed/received. Encumbrances outstanding at December 31, 2016 that are subsequently performed/received will be recognized as expenditures in the fiscal period in which performed/received.

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity of three months or less. Investments are stated at fair value.

F. Inventories

The cost of inventory items in all of the Township's governmental funds are recorded as an expenditure at the time of purchase. As of December 31, 2016, the Township had no significant inventories on hand. The component unit recorded all the land they own as land held for sale. The cost of this land, less an impairment adjustment, at December 31, 2016 was \$17,611,941.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Charter Township of Commerce as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated acquisition value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in the government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on the government-wide and proprietary statement of net position. The straight-line deprecation method is applied over the estimated useful life of fixed assets.

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Continued

G. Capital Assets - Concluded

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

ASSET CLASS	DEPRECIABLE LIFE/YEARS
Land	n/a
Land improvements	10-20
Buildings	10-40
Equipment	5-20
Vehicles	3-10
Utility systems	10-40
Bridges	20-25
Sidewalks	20-25

H. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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. Bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

I. Encumbrances

The Township does not record encumbrances outstanding at the end of the fiscal period as either expenditures or as a reservation of fund balance. Significant long-term contract commitments or board approved reservations of fund balance are recorded as reserves for subsequent years' expenditures, a fund balance appropriation similar to, but distinct from, a reserve for encumbrances.

J. Insurance and Similar Services

Insurance and similar services which extend over more than one accounting period are accounted for as expenditures in the period paid.

CHARTER TOWNSHIP OF COMMERCE
 NOTES TO FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2016

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Concluded**

K. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues and expenditures. Actual results may differ from estimated amounts.

L. Date of Management’s Review

Subsequent events have been evaluated through June 15, 2017, which is the date the financial statements were available to be issued.

NOTE 2: **COMPLIANCE WITH AMENDED BUDGET AND MICHIGAN PUBLIC ACT (P.A.) 621 OF 1978 AND OTHER BUDGET INFORMATION**

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body.

In the body of the financial statements, the Township’s actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for those budgetary funds are adopted at the activity level, as shown in the combining and individual fund financial statements.

During 2016, the Township did incur expenditures in budgetary funds which were in excess of the amount appropriated.

	BUDGET	ACTUAL	VARIANCE (UNFAVORABLE)
General Fund			
Township Supervisor	\$ 122,190	\$ 122,716	\$(526)
Other Costs	165,585	810,309	(644,724)
Special Revenue			
Police Fund	4,485,421	4,573,812	(88,391)
Community Development Fund	23,018	28,440	(5,422)

The Township’s appropriation resolution is generally passed during the December preceding the year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions state the purpose and amount of the budget changes. The Township Supervisor has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next fiscal year.

NOTE 3: **AMOUNT PAYABLE TO OTHER GOVERNMENTS AT DECEMBER 31, 2016**

The Trust and Agency Fund – Current Tax Collection Fund is used to account for property taxes that the Township collects for various governmental units, such as the county and local schools. As of December 31, 2016, the Township had \$10,051,037 in property tax collections and related receipts in this fund which are payable to various units. The majority of the money was due to the Township itself.

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 4: PROPERTY TAXES

The Township's annual property tax on real and personal property within the Township is levied on December 1 and is based on assessed valuation of property as of the preceding December 31. Assessed valuation, which is required by law to be 50 percent of current market value, is established by the Township and is subject to possible equalization by the County and State. In addition to collecting their own taxes, the Township also acts as collection agent for all overlapping government entities in the Township, which includes school districts, a community college, and the County.

The Township recognizes property taxes as revenue in the year subsequent to the levy, except the DDA summer tax levy that is recognized as revenue when collected and remitted to the Township DDA from the tax account. Property taxes levied on December 1, 2015, have been recorded as revenues in the current financial statements. Property taxes levied on December 1, 2016 have been recorded as taxes receivable with corresponding amounts recorded as deferred inflows in the Township's taxing funds.

Beginning March 1, all unpaid taxes become delinquent and are collected by the Oakland County Treasurer. Any real property taxes returned delinquent to the Oakland County Treasurer are paid to the Township through the County's Delinquent Tax Revolving Fund.

Delinquent personal property taxes receivable are not recorded in the financial statements, since outstanding personal property taxes due the Township are relatively minor in amount, and prior experience has shown that a relatively small portion of the delinquent personal property taxes are collected after the close of the fiscal period in which they become delinquent.

The December 2015 levy was as follows:

Taxable property valuation:	\$ <u>1,800,960,120</u>
Millage rates:	
General township operating	1.4100
Charter police	.3000
Charter library	.3000
Voted library	.6855
Voted parks/open space	.3916

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 5: CAPITAL ASSETS

A summary of changes in governmental capital assets including internal service fund assets are as follows:

	JANUARY 1, 2016	ADDITIONS	DELETIONS	DECEMBER 31, 2016
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ <u>12,537,160</u>	\$ <u>5,980</u>	\$ _____	\$ <u>12,543,140</u>
Capital assets being depreciated				
Buildings	12,043,330	5,874,293		17,917,623
Improvements	3,247,722	222,123		3,469,845
Machinery and equipment	5,164,949	283,514	43,746	5,404,717
Books and materials	<u>487,375</u>	<u>125,851</u>	_____	<u>613,226</u>
Total capital assets being depreciated	<u>20,943,376</u>	<u>6,505,781</u>	<u>43,746</u>	<u>27,405,411</u>
Less: accumulated depreciation				
Buildings	3,459,597	251,479		3,711,076
Improvements	746,827	153,069		899,896
Machinery and Equipment	4,143,953	272,606	39,054	4,377,505
Books and materials	<u>228,259</u>	<u>114,543</u>	_____	<u>342,802</u>
Total accumulated depreciation	<u>8,578,636</u>	<u>791,697</u>	<u>39,054</u>	<u>9,331,279</u>
Total capital assets being depreciated – net	<u>12,364,740</u>	<u>5,714,084</u>	<u>4,692</u>	<u>18,074,132</u>
NET CAPITAL ASSETS	<u>\$ 24,901,900</u>	<u>\$ 5,720,064</u>	<u>\$ 4,692</u>	<u>\$ 30,617,272</u>

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 5: **CAPITAL ASSETS** - Continued

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

GOVERNMENTAL ACTIVITY	AMOUNT
General government	\$ 127,345
Public safety	339,226
Culture and recreation	293,282
Public works	<u>31,844</u>
TOTAL DEPRECIATION EXPENSE GOVERNMENTAL ACTIVITIES	 <u>\$ 791,697</u>

Capital assets for business-type activities have been summarized as follows:

	JANUARY 1, 2016	ADDITIONS	DELETIONS	DECEMBER 31, 2016
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ <u>6,481</u>	\$ _____	\$ _____	\$ <u>6,481</u>
Capital assets being depreciated				
Buildings and Infrastructure	171,729,417	3,083,467		174,812,884
Less: accumulated depreciation				
Buildings and infrastructure	<u>54,499,600</u>	<u>4,198,306</u>	_____	<u>58,697,906</u>
Total Capital assets being depreciated – net	<u>117,229,817</u>	(<u>1,114,839</u>)	_____	<u>116,114,978</u>
NET CAPITAL ASSETS	\$ <u>117,236,298</u>	\$ (<u>1,114,839</u>)	\$ _____	\$ <u>116,121,459</u>

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 5: **CAPITAL ASSETS - Concluded**

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

GOVERNMENTAL ACTIVITY	AMOUNT
Wastewater	\$ 3,256,380
Water	<u>941,926</u>
TOTAL DEPRECIATION EXPENSE BUSINESS-TYPE ACTIVITIES	<u>\$ 4,198,306</u>

NOTE 6: **CASH AND INVESTMENTS**

The Township's deposits and investments at December 31, 2016 are included on the balance sheet under the following classifications:

	CASH AND CASH EQUIVALENTS	INVESTMENTS	CARRYING AMOUNT TOTAL
Deposits – Bank	\$ 59,723,340	\$	\$ 59,723,340
Investments held by			
Bank		1,440,000	1,440,000
Defined contribution plan	<u> </u>	<u>4,268,738</u>	<u>4,268,738</u>
	59,723,340	5,708,738	65,432,078
Petty cash and cash on hand	<u>706</u>	<u> </u>	<u>706</u>
Total cash and investments	<u>\$ 59,724,046</u>	<u>\$ 5,708,738</u>	<u>\$ 65,432,784</u>

**RECONCILIATION TO
STATEMENTS**

Governmental Funds	\$ 29,125,099	\$ 1,040,000	\$ 30,165,099
Proprietary Funds	19,228,614	400,000	19,628,614
Fiduciary Funds	<u>11,370,333</u>	<u>4,268,738</u>	<u>15,639,071</u>
	<u>\$ 59,724,046</u>	<u>\$ 5,708,738</u>	<u>\$ 65,432,784</u>

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 6: **CASH AND INVESTMENTS - Continued**

DEPOSITS

At December 31, 2016, the book value of the Township's demand deposits, consisting primarily of certificates of deposits and other cash equivalents, was \$59,724,046 with a corresponding bank balance of \$60,697,105. Qualifying deposits are insured by the FDIC up to \$250,000. Of the bank balance, approximately \$2,970,856 is insured (credit risk category #1) and the remaining 57,726,249 is uninsured and uncollateralized (credit risk category #3).

INVESTMENTS

The Township is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances, and mutual funds and investment pools that are composed of authorized investment vehicles. To the extent cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in that pool.

The Township's investments are categorized below to give an indication of the level of risk assumed by the entity at December 31, 2016. Risk Category 1 includes those investments that meet any one of the following criteria.

- A. Insured
- B. Registered
- C. Held by the Township or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by:

- A. The counterparty, or
- B. The counterparty's trust department (or agent) but not in the Township's name.

	CATEGORY			CARRYING AMOUNT	MARKET VALUE
	1	2	3		
Investment type					
Certificates of deposit	\$ <u>1,440,000</u>	\$ _____	\$ _____	\$ <u>1,440,000</u>	\$ <u>1,440,000</u>
Investments not subject to categorization					
Defined contribution plan	_____	<u>4,268,738</u>	_____	<u>4,268,738</u>	<u>4,268,738</u>
TOTAL					
INVESTMENTS	\$ <u>1,440,000</u>	\$ <u>4,268,738</u>	\$ _____	\$ <u>5,708,738</u>	\$ <u>5,708,738</u>

Investments are stated at fair value, which is based on provided market values.

Deposits and investments are in compliance with statutory authority.

CHARTER TOWNSHIP OF COMMERCE
 NOTES TO FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2016

NOTE 6: **CASH AND INVESTMENTS – Concluded**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. As of December 31, 2016, \$63,434,987 of the government’s bank balance of \$66,405,843 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>63,434,987</u>
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COMPONENT UNIT – DDA – CASH AND INVESTMENTS

The Authority’s deposits and investments at December 31, 2016 are included on the balance sheet under the following classifications:

	CASH AND CASH EQUIVALENTS
Deposits – bank	\$ <u>754,353</u>

DEPOSITS

At December 31, 2016, the book value of the Downtown Development Authority’s demand deposits, consisting primarily of certificates of deposits and other cash equivalents, was \$754,353 with a corresponding bank balance of \$754,353. Qualifying deposits are insured by the FDIC up to \$250,000. Of the bank balance, approximately \$250,000 is insured (risk category #1) and the remaining \$504,353 is uninsured and uncollateralized (risk category #3).

NOTE 7: **EMPLOYEE BENEFITS**

A. **RETIREMENT PLAN**

Plan Description

Substantially all of the employees of the Township are covered by a pension plan. The current plan is a defined contribution plan requiring contributions by the Township of 13% of each employee’s base salary. The plan is administered by the Township through Manulife Financial. The employer’s current year covered payroll approximates \$3,254,289 (total current year payroll for all employees approximates \$3,254,289). Eligibility for coverage is the first work day on which the employee has reached age 18, but not more than 75 years of age, with 100% vesting after 48 months of employment. The Township’s contribution for 2016 was \$323,782.

Summary of Significant Accounting Policies

Basis of Accounting. The financial statements of the defined contribution plan are prepared using the accrual basis of accounting. Contributions are recognized as revenues in the period in which employee services are performed.

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 7: **EMPLOYEE BENEFITS - Concluded**

A. RETIREMENT PLAN - Concluded

Method Used to Value Investments

Investments of the plan are reported at fair value based on provided market values. Investment income is recognized as earned. The net appreciation in the fair value of investments is recognized as additions to assets. Gains and losses on the sale of securities are recognized on the transaction date.

B. DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with IRS section 457. The plan, available to all Township employees, permits them to defer a portion of their current salary until future years. A trust has been established for the plan assets and the related assets and liability are not included in the Township's general purpose financial statements

NOTE 8: **LONG-TERM OBLIGATIONS**

The State of Michigan Charter Township Act of 1947, as amended, limits the amount of general obligation debt that may be carried by the Charter Township of Commerce to an amount not to exceed ten percent of the latest assessed value of all real and personal property within the Township. In determining net debt, special assessment bonds, revenue bonds, and certain bonds issued for the abatement of pollution are not included in the calculation, even if such debt was issued as general obligation debt of the Township. In addition, any monies held by the Township for future payment of currently outstanding debt reduces the amount of debt subject to this provision.

During 2016, the Township refunded three bonds. The discount on these bonds is combined with the principal balance and amortized over the life of the bonds.

The following is a summary of long-term debt transactions of the primary government and all component units for the year ended December 31, 2016.

	BUSINESS- TYPE ACTIVITIES DEBT	GOVERNMENTAL ACTIVITIES DEBT	COMPONENT UNIT DEBT
As of January 1, 2016	\$ 44,089,804	\$ 1,075,000	\$ 69,470,000
Additions (Reductions) - Net	(1,073,295)	(480,000)	(6,550,000)
As of December 31, 2016	<u>\$ 43,016,509</u>	<u>\$ 595,000</u>	<u>\$ 62,920,000</u>

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 8: **LONG-TERM OBLIGATIONS - Continued**

Long-term debt at December 31, 2016 is comprised of the individual issues:

	BALANCE JANUARY 1, 2016	REFUNDED	ADDITIONS (DEDUCTIONS)	BALANCE DECEMBER 31, 2016	AMOUNT DUE WITHIN ONE YEAR
Governmental Activities - Primary Government					
Special Assessment Bonds Series 2010	\$ 1,075,000	\$	\$(480,000)	\$ 595,000	\$ 165,000
Accumulated compensated absences	<u>43,301</u>	<u> </u>	<u>1,602</u>	<u>44,903</u>	<u> </u>
Total Governmental Activities	<u>\$ 1,118,301</u>	<u>\$ </u>	<u>\$(478,398)</u>	<u>\$ 639,903</u>	<u>\$ 165,000</u>
Business-Type Activities - Primary Government					
2009 Sewer Plant Expansion, Series A	\$ 11,195,000	\$(10,415,000)	\$(245,000)	\$ 535,000	\$ 260,000
2009 Sewer Plant Expansion, Series B	16,050,000	(14,795,000)	(400,000)	855,000	420,000
Capital Improvement Bonds Series 2010-A	15,810,000		(350,000)	15,460,000	365,000
Clean Water State Revolving Funds	1,034,804		(50,000)	984,804	50,000
2016 General Obligation Refunding Bonds	<u> </u>	<u> </u>	<u>25,181,705</u>	<u>25,181,705</u>	<u>37,727</u>
Total Business-Type Activities	<u>\$ 44,089,804</u>	<u>\$(25,210,000)</u>	<u>\$ 24,136,705</u>	<u>\$ 43,016,509</u>	<u>\$ 1,132,727</u>

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 8: **LONG-TERM OBLIGATIONS** - Continued

Component Unit	BALANCE JANUARY 1, 2016	REFUNDED	ADDITIONS (DEDUCTIONS)	BALANCE DECEMBER 31, 2016	AMOUNT DUE WITHIN ONE YEAR
2010 Downtown Development Authority Limited Tax General Obligation Bonds	\$ 5,550,000	\$	\$(5,550,000)	\$	\$
2008 Downtown Development Authority Limited Tax General Refunding Obligation Bonds	34,445,000		(100,000)	34,345,000	100,000
2008 Downtown Development Authority Limited Tax General Obligation Bonds	21,875,000	(21,575,000)	(100,000)	200,000	100,000
2008 Downtown Development Authority Limited Tax General Obligation Bonds Series 2008-A	2,955,000	(2,055,000)	(300,000)	600,000	300,000
2016 Downtown Development Authority Limited Tax General Obligation Bonds Series 2016-A			23,080,000	23,080,000	87,250
2016 Downtown Development Authority Limited Tax General Obligation Bonds Series 2016-B			3,695,000	3,695,000	120,000
2008 Downtown Development Authority Limited Tax General Obligation Bonds Series 2008-B	<u>4,645,000</u>	<u>(3,145,000)</u>	<u>(500,000)</u>	<u>1,000,000</u>	<u>500,000</u>
Total Component Unit	<u>\$ 69,470,000</u>	<u>\$(26,775,000)</u>	<u>\$ 20,225,000</u>	<u>\$ 62,920,000</u>	<u>\$ 1,207,250</u>

The township refunded three bonds during 2016. The Net Present Value Savings on these bonds are as follows:

NPV Savings on 2016 Capital Improvement Bonds	\$ 3,068,130
NPV Savings on 2016 - A DDA Refunding Bonds	2,235,486
NPV Savings on 2016 - B DDA Refunding Bonds	180,549

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 8: **LONG-TERM OBLIGATIONS** – Continued

The annual requirements to pay future principal and interest are as follows:

		BUSINESS- TYPE ACTIVITIES	GOVERNMENTAL FUNDS	COMPONENT UNIT	TOTAL
YEAR ENDING DECEMBER 31,					
2017	Principal	\$ 1,132,727	\$ 165,000	\$ 1,207,250	\$ 2,504,977
	Interest	1,814,197	17,263	1,198,576	3,030,036
	Total	2,946,924	182,263	2,405,826	5,535,013
2018	Principal	1,182,727	165,000	1,207,250	2,554,977
	Interest	1,773,085	12,106	1,146,614	2,931,805
	Total	2,955,812	177,106	2,353,864	5,486,782
2019	Principal	1,267,727	165,000	3,012,250	4,444,977
	Interest	1,727,197	6,538	1,071,454	2,805,189
	Total	2,994,924	171,538	4,083,704	7,250,166
2020	Principal	1,312,727	100,000	3,072,250	4,484,977
	Interest	1,694,497	1,825	1,010,798	2,707,120
	Total	3,007,224	101,825	4,083,048	7,192,097
2021	Principal	1,382,727		3,332,250	4,714,977
	Interest	1,644,497		941,016	2,585,513
	Total	3,027,224		4,273,266	7,300,490
2022 – 2026	Principal	7,953,635		18,546,250	26,499,885
	Interest	7,349,242		2,990,901	10,340,143
	Total	15,302,877		21,537,151	36,840,028
2027 – 2031	Principal	10,083,635		20,211,250	30,294,885
	Interest	5,401,689		276,125	5,677,814
	Total	15,485,324		20,487,375	35,972,699

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 8: **LONG-TERM OBLIGATIONS** – Concluded

	BUSINESS- TYPE ACTIVITIES	GOVERNMENTAL FUNDS	COMPONENT UNIT	TOTAL
YEAR ENDING DECEMBER 31,				
2032 – 2036				
Principal	\$ 12,093,439	\$	\$ 12,331,250	\$ 24,424,689
Interest	3,208,592			3,208,592
Total	15,302,031		12,331,250	27,633,281
2037-2041				
Principal	6,607,165			6,607,165
Interest	561,963			561,963
Total	7,169,128			7,169,128
TOTAL				
Principal	43,016,509	595,000	62,920,000	106,531,509
Interest	<u>25,174,959</u>	<u>37,732</u>	<u>8,635,484</u>	<u>33,848,175</u>
Total	<u>\$ 68,191,468</u>	<u>\$ 632,732</u>	<u>\$ 71,555,484</u>	<u>\$ 140,379,684</u>

There are a number of limitations and restrictions contained in the various bond indentures. The Township is in compliance with all significant limitations and restrictions.

NOTE 9: **INTERFUND BALANCE**

The amounts of interfund receivables and payables are as follows:

	DUE FROM	DUE TO
General	\$ 126,996	\$
Wastewater Treatment	32,418	231,489
Water Supply	221,568	217
Tax		2,326
Community Development	12,111	35,139
Open Space	6,699	
Building Inspection		121,422
Debt Service	763	
Trust and Agency	259,314	272,315
Library		624
Fire	<u>3,663</u>	<u> </u>
	<u>\$ 663,532</u>	<u>\$ 663,532</u>

CHARTER TOWNSHIP OF COMMERCE
 NOTES TO FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2016

NOTE 9: **INTERFUND BALANCE** - Concluded

RECONCILIATION TO STATEMENTS

	DUE FROM		DUE TO
Fiduciary	\$ 259,314		
Governmental		Governmental	6,953
Proprietary Funds	<u>22,280</u>	Fiduciary Funds	<u>\$ 274,641</u>
	<u>\$ 281,594</u>		<u>\$ 281,594</u>

These interfund receivables and payables were made for cash flow purposes.

NOTE 10: **DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS**

In February, 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved have been replaced with five new classifications: non-spendable, restricted, committed, assigned and unassigned.

Non-spendable – assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted – amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed – amounts constrained on use imposed by formal action of the government’s highest level of decision making authority (i.e., Board, Council, etc.)

Assigned – amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee, or a delegated municipality official.

Unassigned – all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

CHARTER TOWNSHIP OF COMMERCE
 NOTES TO FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2016

NOTE 10: **DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS** - Continued

Fund Balance Classifications and Procedures

For committed fund balance, the Charter Township of Commerce's highest level of decision-making authority is the Board of Trustees. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution.

For assigned fund balance, the Township Trustees are authorized to assign amounts to a specific purpose. The authorization has been delegated by the Township Trustees to the Township Supervisor.

For the classification of fund balances, the Township considers restricted amounts to have been spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Also, for the classification of fund balances, the Township considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

	GENERAL	FIRE	POLICE	LIBRARY
FUND BALANCES				
Nonspendable				
Prepays	\$ 26,755	\$ 24,525	\$	\$ 11,147
Restricted for				
Debt Service				
Library				1,712,573
Fire		2,943,039		
Police			562,560	
Building Inspection				
Open Space				
Museum				
Cemetery				
Committed for				
Budget Stabilization	1,291,495			
Improvement and Building				
Debt Service				
Assigned				
Road Improvement	730,832			
Retirement Health Benefits	1,101			
Unassigned	<u>9,501,287</u>	_____	_____	_____
TOTAL FUND BALANCES	<u>\$ 11,551,470</u>	<u>\$ 2,967,564</u>	<u>\$ 562,560</u>	<u>\$ 1,723,720</u>

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 10: **DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS -**
Concluded

	IMPROVEMENT AND BUILDING	DEBT SINKING FUND	OTHER GOVERNMENTAL FUND	TOTAL
FUND BALANCES				
Nonspendable				
Prepays	\$	\$	\$ 1,115	\$ 63,542
Restricted for				
Debt Service			598,327	598,327
Library				1,712,573
Fire				2,943,039
Police				562,560
Building Inspection			1,382,238	1,382,238
Open Space			1,495,524	1,495,524
Museum			172,153	172,153
Cemetery			319,911	319,911
Committed for				
Budget Stabilization				1,291,495
Improvement and Building	693,586			693,586
Debt Service		7,752,445		7,752,445
Assigned				
Road Improvement				730,832
Retirement Health Benefit				1,101
Unassigned	_____	_____	_____	<u>9,501,287</u>
TOTAL FUND BALANCES	<u>\$ 693,586</u>	<u>\$ 7,752,445</u>	<u>\$ 3,969,268</u>	<u>\$ 29,220,613</u>

NOTE 11: **CONTINGENT LIABILITY**

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township Attorney, the resolution of these matters will not have a material effect of the financial condition of the Township.

NOTE 12: **RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees as well as medical benefits; and natural disasters. The Township manages its liability, property risk, and medical benefits through the purchase of commercial insurance.

The Township manages its workers' compensation insurance by participating in Michigan Municipal Workers' Compensation Fund, a public entity risk pool providing workers' compensation coverage to its participating members. The Township pays an annual premium to the Fund for its insurance coverage. The Fund is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based coverage for each incident to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

CHARTER TOWNSHIP OF COMMERCE
 NOTES TO FINANCIAL STATEMENTS – Continued
 DECEMBER 31, 2016

NOTE 13: OPERATING TRANSFERS

FUND TRANSFERRED FROM	AMOUNT	FUND TRANSFERRED TO	PURPOSE
General fund	\$ 3,000,000	Debt service revolving fund	To transfer excess resources that will be used in the future to pay DDA debt service if necessary
General fund	550,000	Improvement and building	To pay special assessments
General fund	<u>2,000</u>	Cemetery fund	To transfer interest on CD
TOTAL TRANSFERS	\$ <u>3,552,000</u>		

NOTE 14: ACCRUED PAID TIME OFF

Accrued paid time off is recorded as a governmental fund liability at December 31, 2016 to the extent that it is to be liquidated with expendable available financial resources within the current operating cycle. Accrued paid time off earned as of December 31, 2016, but not liquidated within the current operating cycle, is recorded in the General Long-Term Debt Account Group.

For 2013, any sick and vacation time accrued will be added together and put into the Paid Time Off “Pool”. Paid time off is earned by employees at a rate of 7.5 hours for every 26 days worked. An employee may accumulate their paid time off up to 75 hours. Any time not used but accrued will be paid upon termination of employment as long as a two week notice has been given.

NOTE 15: LONG-TERM ADVANCES

The following are the advances to the component unit at December 31, 2016:

FUND	DUE FROM	FUND	DUE TO
Downtown Development Authority	\$ <u>8,150,000</u>	Debt service	\$ <u>8,150,000</u>

The advances were made for cash flow purposes so that the DDA have funds available to cover current debt costs. The general fund and debt sinking fund advanced these funds through debt service to the DDA. Based on projections of land sales and recapture of taxes, the Township will continue to advance the DDA money for bond payments until approximately 2034, when the DDA can begin to repay the advances. The DDA estimates that it will owe a total of \$26,000,000 to the Township if no other land is sold.

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 16: **POST EMPLOYMENT BENEFITS**

The Charter Township of Commerce offers post-employment health insurance benefits to its employees. These benefits are provided by contractual agreement and are paid annually by the General Fund. The Township funds these costs on a pay-as-you-go basis. The amounts are recorded as an expenditure when the fund liability is incurred. The benefit amounts incurred totaled \$11,087 during the year ended December 31, 2016. The total number of eligible retirees amounted to 2 at December 31, 2016. The Township pays 100% of these costs for firefighters and 25% of the costs for all other Township employees. There are no provisions for employee contributions. The Township has recorded an asset of \$274,953 for this benefit, based on an independent actuarial valuation.

The funding progress of the Plan as of December 31, 2015, the most recent valuation date, is as follows:

Valuation as of December 31, 2016

Actuarial value of assets	\$ 325,169
Actuarial value of liabilities (AAL)	282,209
Overfunded AAL	42,960
Funded ratio	115.22%

Funding Progress

For the year ended December 31, 2016, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2016. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution	\$ 7,159
Contribution held in trust	(325,169)
ARC adjustment	(3,681)
Interest on net OPEB obligation	<u>3,260</u>
Decrease in OPEB obligation	(318,431)
Net OPEB obligation, January 1	<u>43,478</u>
OVERFUNDED OPEB OBLIGATION,	
DECEMBER 31, 2016	<u>\$(274,953)</u>

In prior years the retirement health benefits fund was shown as a separate special revenue fund as the cash collected was recorded in a regular savings account. During 2016, the cash held in the cash account was moved to a qualified MERS trust account in the amount of \$325,169 thereby removing it from the books of the township.

In prior years the retirement health benefits fund was shown as a separate special revenue fund as the cash collected was recorded in a regular savings account. During 2016, the cash held in the cash account was moved to a qualified MERS trust account in the amount of \$325,169 thereby making it a fiduciary fund.

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Concluded
DECEMBER 31, 2016

NOTE 17: GUARANTEES

The Downtown Development Authority, a discretely present component unit, incurred \$79,275,000 of long term debt in 2004 to acquire property and construct the Martin Parkway road. The debt matures in 2034. At December 31, 2016, the outstanding principal was \$61,175,000. As part of the debt issuance, the Township agreed to guarantee the payments. The intent was to resell the surrounding land to be developed and to service the debt with the proceeds of the sales. Due to the economic downturn, land values have fallen resulting in shortages by the DDA. The Township has begun advancing payments to the DDA to make up the debt service payments. GASB Statement No. 70 requires the Township to make its best estimate of future outflows expected to be incurred as a result of the guarantee, and to record a liability equal to the discounted present value. Accrued interest on this guarantee as of December 31, 2016 was \$261,695.

DEBT GUARANTEE

Beginning balance	\$ 28,002,140
Current year additions	
Current year reductions	<u>3,759,820</u>
Ending balance	<u>\$ 24,242,320</u>

Total payments made as of December 31, 2016 are \$10,205,000.

NOTE 18: UPCOMING ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued two new pronouncements in June 2015, GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which will enhance the note disclosures and schedules of required supplementary information for Other Postemployment Benefit Plans (OPEB). GASB Statement No. 74 will provide information about measures of net OPEB liabilities and an analysis of why those liabilities change from year to year. GASB Statement No. 75 establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB plans. GASB Statement No. 74 will be effective for fiscal years beginning after June 15, 2016 and GASB Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

In January 2017, GASB statement No. 84, Fiduciary Activities, was issued which will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities.

NOTE 19: SUBSEQUENT EVENT

In April 2017, the Township did a partial refunding of capital improvement bonds.

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REQUIRED SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF COMMERCE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>BUDGETED AMOUNTS</u>			VARIANCE -
	ORIGINAL	FINAL	ACTUAL	FAVORABLE
				(UNFAVORABLE)
REVENUES				
Taxes				
Current	\$ 2,308,129	\$ 2,308,129	\$ 2,331,282	\$ 23,153
Penalties and interest on delinquent taxes	10,000	10,000	57,320	47,320
Summer tax collection fee	90,000	90,000	110,280	20,280
Trailer fees	<u>6,120</u>	<u>6,120</u>	<u>6,720</u>	<u>600</u>
Total Taxes	<u>2,414,249</u>	<u>2,414,249</u>	<u>2,505,602</u>	<u>91,353</u>
Licenses and Permits				
Building permits and fees	23,160	23,160	49,178	26,018
Other licenses				
Cable television fees	<u>408,000</u>	<u>408,000</u>	<u>668,341</u>	<u>260,341</u>
Total Licenses and Permits	<u>431,160</u>	<u>431,160</u>	<u>717,519</u>	<u>286,359</u>
Intergovernmental revenues				
State revenue sharing	2,912,985	2,912,985	2,832,858	(80,127)
MDOT grant			312,750	312,750
Metro fees	<u>15,000</u>	<u>15,000</u>	<u>18,004</u>	<u>3,004</u>
Total Intergovernmental Revenues	<u>2,927,985</u>	<u>2,927,985</u>	<u>3,163,612</u>	<u>235,627</u>
Charges for Services				
Zoning fees	6,000	6,000	7,100	1,100
Administration fees	235,000	235,000	148,659	(86,341)
DDA fees	100,000	100,000	100,000	
Other fees	<u>47,000</u>	<u>47,000</u>	<u>58,339</u>	<u>11,339</u>
Total Charges for Services	<u>388,000</u>	<u>388,000</u>	<u>314,098</u>	<u>(73,902)</u>
Fines and forfeitures	<u>51,000</u>	<u>51,000</u>	<u>100,827</u>	<u>49,827</u>
Rents	<u>134,244</u>	<u>134,244</u>	<u>156,436</u>	<u>22,192</u>
Reimbursements	<u>10,200</u>	<u>10,200</u>	<u>65,187</u>	<u>54,987</u>
Interest income	<u>89,500</u>	<u>75,500</u>	<u>47,072</u>	<u>(28,428)</u>
Miscellaneous	<u>129,972</u>	<u>66,972</u>	<u>50,695</u>	<u>(16,277)</u>
TOTAL REVENUES	<u>6,576,310</u>	<u>6,499,310</u>	<u>7,121,048</u>	<u>621,738</u>

CHARTER TOWNSHIP OF COMMERCE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - Continued
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>BUDGETED AMOUNTS</u>		ACTUAL	VARIANCE -
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
EXPENDITURES				
General Government				
Township Board	\$ 29,200	\$ 29,200	\$ 25,517	\$ 3,683
Township Supervisor	122,190	122,190	122,716	(526)
Elections	126,000	126,000	111,239	14,761
Finance/human resources	123,344	123,344	123,093	251
Assessing	357,100	326,650	326,550	100
Legal fees	200,000	295,000	293,848	1,152
Township Clerk	340,106	333,176	314,747	18,429
Tax roll and data processing	20,250	28,250	21,680	6,570
Board of review	3,300	4,150	3,983	167
General services	141,500	145,800	130,063	15,737
Township Hall	344,844	291,186	273,192	17,994
Township Treasurer	324,695	313,679	311,157	2,522
Other costs	167,142	165,585	810,309	(644,724)
	<u>2,299,671</u>	<u>2,304,210</u>	<u>2,868,094</u>	<u>(563,884)</u>
Total General Government				
Public Safety				
Police protection				
Ordinance enforcement	42,000	48,000	47,991	9
Planning and zoning	231,310	195,860	181,610	14,250
	<u>273,310</u>	<u>243,860</u>	<u>229,601</u>	<u>14,259</u>
Total Public Safety				
Public Works				
Street lighting	18,100	21,000	20,954	46
Roads	365,000	50,000	41,319	8,681
	<u>383,100</u>	<u>71,000</u>	<u>62,273</u>	<u>8,727</u>
Total Public Works				
Culture and Recreation				
Parks and recreation	443,028	417,806	381,901	35,905
	<u>3,399,109</u>	<u>3,036,876</u>	<u>3,541,869</u>	<u>(504,993)</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES				
OVER EXPENDITURES				
	<u>3,177,201</u>	<u>3,462,434</u>	<u>3,579,179</u>	<u>116,745</u>

CHARTER TOWNSHIP OF COMMERCE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - Concluded
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>BUDGETED AMOUNTS</u>		ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
OTHER FINANCING USES				
Operating transfers in	\$ 100,000	\$ 100,000	\$	\$ (100,000)
Operating transfers out	<u>(3,152,000)</u>	<u>(3,652,000)</u>	<u>(3,552,000)</u>	<u>100,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,052,000)</u>	<u>(3,552,000)</u>	<u>(3,552,000)</u>	<u></u>
EXCESS OF REVENUES AND AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES (BUDGETARY BASIS)	125,201	(89,566)	27,179	116,745
FUND BALANCE, JANUARY 1	<u>11,524,291</u>	<u>11,524,291</u>	<u>11,524,291</u>	<u></u>
FUND BALANCE, DECEMBER 31	<u><u>\$ 11,649,492</u></u>	<u><u>\$ 11,434,725</u></u>	<u><u>\$ 11,551,470</u></u>	<u><u>\$ 116,745</u></u>

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes	\$ 3,007,197	\$ 3,007,197	\$ 3,081,272	\$ 74,075
Interest on investments	25,000	25,000	27,868	2,868
Other	39,400	39,400	35,761	(3,639)
TOTAL REVENUES	3,071,597	3,071,597	3,144,901	73,304
EXPENDITURES				
Public safety	2,983,059	2,983,059	2,801,819	181,240
EXCESS OF REVENUES OVER EXPENDITURES	88,538	88,538	343,082	254,544
FUND BALANCE, JANUARY 1	2,624,482	2,624,482	2,624,482	
FUND BALANCE, DECEMBER 31	\$ 2,713,020	\$ 2,713,020	\$ 2,967,564	\$ 254,544

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
POLICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes	\$ 4,386,915	\$ 4,386,915	\$ 4,471,527	\$ 84,612
Interest on investments	10,000	10,000	14,655	4,655
Other	142,087	142,087	149,032	6,945
TOTAL REVENUES	4,539,002	4,539,002	4,635,214	96,212
EXPENDITURES				
Public safety	4,485,421	4,485,421	4,573,812	(88,391)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	53,581	53,581	61,402	7,821
FUND BALANCE, JANUARY 1	501,158	501,158	501,158	
FUND BALANCE, DECEMBER 31	\$ 554,739	\$ 554,739	\$ 562,560	\$ 7,821

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LIBRARY AND LIBRARY BUILDING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Taxes	\$ 1,597,000	\$ 1,597,000	\$ 1,640,872	\$ 43,872
Charges for services	23,600	23,600	868	(22,732)
Interest on investments	30,000	30,000	41,271	11,271
Other	72,000	72,000	136,961	64,961
TOTAL REVENUES	1,722,600	1,722,600	1,819,972	97,372
EXPENDITURES				
Culture and recreation	7,703,337	7,703,337	7,007,226	696,111
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,980,737)	(5,980,737)	(5,187,254)	793,483
FUND BALANCE, JANUARY 1	6,910,974	6,910,974	6,910,974	
FUND BALANCE, DECEMBER 31	\$ 930,237	\$ 930,237	\$ 1,723,720	\$ 793,483

CHARTER TOWNSHIP OF COMMERCE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

IMPROVEMENT AND BUILDING FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

	BUDGETED AMOUNTS		ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
Charges for services	\$ 2,802,666	\$ 2,802,666	\$ 2,581,080	\$ (221,586)
Interest on investments	1,650	1,650	3,708	2,058
Other	<u>47,560</u>	<u>47,560</u>	<u>44,904</u>	<u>(2,656)</u>
TOTAL REVENUES	<u>2,851,876</u>	<u>2,851,876</u>	<u>2,629,692</u>	<u>(222,184)</u>
EXPENDITURES				
Capital outlay	<u>2,803,200</u>	<u>2,919,433</u>	<u>2,655,777</u>	<u>263,656</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>48,676</u>	<u>(67,557)</u>	<u>(26,085)</u>	<u>41,472</u>
OTHER FINANCING SOURCES				
Operating transfers in	<u>50,000</u>	<u>50,000</u>	<u>550,000</u>	<u>500,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	98,676	(17,557)	523,915	541,472
FUND BALANCE, JANUARY 1	<u>169,671</u>	<u>169,671</u>	<u>169,671</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 268,347</u>	<u>\$ 152,114</u>	<u>\$ 693,586</u>	<u>\$ 541,472</u>

COMBINING STATEMENTS

CHARTER TOWNSHIP OF COMMERCE

COMBINING BALANCE SHEET

GENERAL FUND

DECEMBER 31, 2016

ASSETS

	GENERAL	ROAD IMPROVEMENT	BUDGET STABILIZATION	RETIREMENT HEALTH BENEFITS	TOTAL GENERAL FUND
ASSETS					
Cash	\$ 9,014,106	\$ 544,983	\$ 1,291,495	\$	\$ 10,850,584
Investments		200,000			200,000
Receivables					
Accounts	457,724				457,724
Interest		1,267			1,267
Taxes	2,616,962				2,616,962
Due from					
Other funds	125,895			1,101	126,996
Prepaid expenses	<u>26,755</u>				<u>26,755</u>
TOTAL ASSETS	<u><u>\$ 12,241,442</u></u>	<u><u>\$ 746,250</u></u>	<u><u>\$ 1,291,495</u></u>	<u><u>\$ 1,101</u></u>	<u><u>\$ 14,280,288</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES					
Payables					
Accounts	\$ 55,944	\$ 15,418	\$	\$	\$ 71,362
Payroll and payroll taxes	<u>40,494</u>				<u>40,494</u>
TOTAL LIABILITIES	<u>96,438</u>	<u>15,418</u>			<u>111,856</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes levied for the following year	<u>2,616,962</u>				<u>2,616,962</u>
FUND BALANCE					
Nonspendable	26,755				26,755
Committed			1,291,495		1,291,495
Assigned		730,832		1,101	731,933
Unassigned	<u>9,501,287</u>				<u>9,501,287</u>
TOTAL FUND BALANCE	<u>9,528,042</u>	<u>730,832</u>	<u>1,291,495</u>	<u>1,101</u>	<u>11,551,470</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u><u>\$ 12,241,442</u></u>	<u><u>\$ 746,250</u></u>	<u><u>\$ 1,291,495</u></u>	<u><u>\$ 1,101</u></u>	<u><u>\$ 14,280,288</u></u>

CHARTER TOWNSHIP OF COMMERCE

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

	GENERAL	ROAD IMPROVEMENT	BUDGET STABILIZATION	RETIREMENT HEALTH BENEFITS	TOTAL GENERAL FUND
REVENUES					
Taxes	\$ 2,505,602	\$	\$	\$	\$ 2,505,602
Licenses and permits	717,519				717,519
Intergovernmental	3,163,612				3,163,612
Charges for services and special assessments	314,098				314,098
Fines and forfeits	100,827				100,827
Interest and rentals	185,717	4,010	11,416	2,365	203,508
Other revenues	<u>105,339</u>			<u>10,543</u>	<u>115,882</u>
TOTAL REVENUES	<u>7,092,714</u>	<u>4,010</u>	<u>11,416</u>	<u>12,908</u>	<u>7,121,048</u>
EXPENDITURES					
General government	2,531,838			336,256	2,868,094
Public safety	229,601				229,601
Public works	20,954	41,319			62,273
Culture and recreation	<u>381,901</u>				<u>381,901</u>
TOTAL EXPENDITURES	<u>3,164,294</u>	<u>41,319</u>		<u>336,256</u>	<u>3,541,869</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>3,928,420</u>	<u>(37,309)</u>	<u>11,416</u>	<u>(323,348)</u>	<u>3,579,179</u>
OTHER FINANCING USES					
Operating transfers in	173,826	100,000			273,826
Operating transfers out	<u>(3,652,000)</u>			<u>(173,826)</u>	<u>(3,825,826)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,478,174)</u>	<u>100,000</u>		<u>(173,826)</u>	<u>(3,552,000)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	450,246	62,691	11,416	(497,174)	27,179
FUND BALANCE, JANUARY 1	<u>9,077,796</u>	<u>668,141</u>	<u>1,280,079</u>	<u>498,275</u>	<u>11,524,291</u>
FUND BALANCE, DECEMBER 31	<u>\$ 9,528,042</u>	<u>\$ 730,832</u>	<u>\$ 1,291,495</u>	<u>\$ 1,101</u>	<u>\$ 11,551,470</u>

CHARTER TOWNSHIP OF COMMERCE

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2016

	SPECIAL REVENUE	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ 3,193,020	\$ 597,564	\$ 3,790,584
Investments	340,000		340,000
Receivables			
Taxes	719,696		719,696
Interest	1,747		1,747
Special assessments		125,785	125,785
Due from			
Other funds	18,810	763	19,573
Other governmental units	23,028		23,028
Prepaid expenses	<u>1,115</u>		<u>1,115</u>
TOTAL ASSETS	\$ <u>4,297,416</u>	\$ <u>724,112</u>	\$ <u>5,021,528</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Payables			
Accounts	\$ 42,407	\$	\$ 42,407
Payroll and payroll taxes	7,811		7,811
Due to other funds	<u>156,561</u>		<u>156,561</u>
TOTAL LIABILITIES	<u>206,779</u>		<u>206,779</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for the following year	719,696		719,696
Unavailable revenue		<u>125,785</u>	<u>125,785</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>719,696</u>	<u>125,785</u>	<u>845,481</u>
FUND BALANCE			
Nonspendable	1,115		1,115
Restricted	<u>3,369,826</u>	<u>598,327</u>	<u>3,968,153</u>
TOTAL FUND BALANCE	<u>3,370,941</u>	<u>598,327</u>	<u>3,969,268</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ <u>4,297,416</u>	\$ <u>724,112</u>	\$ <u>5,021,528</u>

CHARTER TOWNSHIP OF COMMERCE

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2016

	SPECIAL REVENUE	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Taxes	\$ 651,998	\$	\$ 651,998
Intergovernmental	28,440		28,440
Interest income	13,041	9,729	22,770
Charges for services	1,244,499		1,244,499
Special assessments		103,203	103,203
Other revenues	<u>4,136</u>		<u>4,136</u>
TOTAL REVENUES	<u>1,942,114</u>	<u>112,932</u>	<u>2,055,046</u>
EXPENDITURES			
Public safety	523,889		523,889
Culture and recreation	221,018		221,018
Debt service			
Principal retirement		480,000	480,000
Interest and fiscal charges		27,623	27,623
Refunds		<u>1,127,215</u>	<u>1,127,215</u>
TOTAL EXPENDITURES	<u>744,907</u>	<u>1,634,838</u>	<u>2,379,745</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>1,197,207</u>	<u>(1,521,906)</u>	<u>(324,699)</u>
OTHER FINANCING SOURCES (USES)			
Advance to DDA			
Operating transfers in	2,000		2,000
Operating transfers out			
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,000</u>		<u>2,000</u>
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,199,207	(1,521,906)	(322,699)
FUND BALANCE, JANUARY 1	<u>2,171,734</u>	<u>2,120,233</u>	<u>4,291,967</u>
FUND BALANCE, DECEMBER 31	<u>\$ 3,370,941</u>	<u>\$ 598,327</u>	<u>\$ 3,969,268</u>

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GENERAL FUND

The General Fund exists to account for the resources devoted to finance the services traditionally associated with local government. Included in these services are general administration of the Township, police and fire protection, and public works. Any other activity for which a special fund has not been created is accounted for in the General Fund.

CHARTER TOWNSHIP OF COMMERCE
SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES -
BY CATEGORY
LAST TEN FISCAL PERIODS
(UNAUDITED)

	2007	2008	2009	2010
REVENUES				
Current property taxes	\$ 4,615,224	\$ 4,870,145	\$ 4,958,495	\$ 4,582,624
Delinquent taxes, penalties and interest	36,192	14,880	48,721	46,232
Payment in lieu of taxes				
State revenue sharing	2,069,395	2,129,800	1,880,486	1,946,143
Permits, licenses and fees	882,837	1,001,492	935,659	880,740
Interest on investments	430,206	259,225	94,048	54,524
Federal, state and local grants				
Other	53,283			
Miscellaneous fees	276,180	549,149	371,536	253,337
Other	<u>118,454</u>	<u>132,358</u>	<u>72,473</u>	<u>64,115</u>
REVENUES BEFORE OTHER FINANCING SOURCES	<u>8,481,771</u>	<u>8,957,049</u>	<u>8,361,418</u>	<u>7,827,715</u>
OTHER FINANCING SOURCES				
Operating transfers in	<u>3,771</u>	<u>180,729</u>	<u>28,001</u>	<u> </u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 8,485,542</u>	<u>\$ 9,137,778</u>	<u>\$ 8,389,419</u>	<u>\$ 7,827,715</u>

	2011	2012	2013	2014	2015	2016
\$	2,351,821	\$ 2,222,060	\$ 2,231,128	\$ 2,233,846	\$ 2,641,702	\$ 2,448,282
	3,586	(134)	898	4,156		57,320
	2,645,702	2,598,220	2,669,514	2,754,611	2,804,355	2,832,858
	703,590	1,138,035	737,525	1,096,608	641,440	717,519
	35,439	58,984	77,769	139,764	78,970	47,072
	314,627	350,514	696,533	275,037	571,059	330,754
	<u>63,051</u>	<u>43,155</u>	<u>56,751</u>	<u>88,658</u>	<u>179,963</u>	<u>111,370</u>
	<u>6,117,816</u>	<u>6,410,834</u>	<u>6,470,118</u>	<u>6,592,680</u>	<u>6,917,489</u>	<u>7,121,048</u>
	<u>300,264</u>	<u>145,267</u>	<u>1,001,404</u>		<u>200,178</u>	<u>273,826</u>
\$	<u><u>6,418,080</u></u>	\$ <u><u>6,556,101</u></u>	\$ <u><u>7,471,522</u></u>	\$ <u><u>6,592,680</u></u>	\$ <u><u>7,117,667</u></u>	\$ <u><u>7,394,874</u></u>

CHARTER TOWNSHIP OF COMMERCE
SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BY ACTIVITY
LAST TEN FISCAL PERIODS
(UNAUDITED)

	2007	2008	2009	2010
EXPENDITURES				
Township Board	\$ 25,223	\$ 23,790	\$ 20,483	\$ 17,488
Township Supervisor	213,218	155,423	109,892	129,549
Assessing	533,689	541,639	535,417	337,224
Legal	230,302	287,497	270,733	255,095
Township Clerk	381,034	362,153	308,802	316,780
Finance/human resources	176,110	199,261	187,036	149,222
Board of review	6,500	9,023	8,477	8,550
Tax roll and data processing	9,691	26,376	27,304	13,897
Township Treasurer	355,780	372,783	352,344	293,046
Township Hall	83,785	79,638	258,798	233,690
General services	204,352	241,708	238,198	358,352
Police protection	3,318,489	3,796,695	3,624,118	3,400,653
Ordinance enforcement	70,316	73,449	67,742	1,214
Elections	23,827	108,794	7,787	66,821
Street lighting	15,739	22,508	16,825	17,359
Roads				
Planning and zoning	180,417	165,032	156,887	137,646
Parks and recreation	315,117	324,317	320,145	315,266
Other costs	178,864	173,690	145,782	197,594
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES BEFORE OTHER FINANCING USES	6,322,453	6,963,776	6,656,770	6,249,446
OTHER FINANCING USES				
Improvement revolving fund	476,900			
Building and improvement fund			61,137	40,439
Building inspection	190,000	270,658	61,000	
Fire fund	980,000	1,200,000	1,219,915	1,562,932
Road improvement fund				
Debt sinking fund				
Budget stabilization			674,385	538,069
Retiree health benefit				
Cemetery				
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 7,969,353	\$ 8,434,434	\$ 8,673,207	\$ 8,390,886
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	2011	2012	2013	2014	2015	2016
\$	16,900	\$ 26,627	\$ 23,145	\$ 25,492	\$ 27,699	\$ 25,517
	133,414	107,475	106,816	121,338	120,085	122,716
	324,184	324,191	323,607	325,302	336,838	326,550
	207,135	211,496	175,165	224,159	287,779	293,848
	327,943	350,120	329,560	376,413	308,862	314,747
	157,471	111,207	111,084	120,944	119,859	123,093
	13,339	12,331	3,144	3,485	3,270	3,983
	10,171	19,671	28,491	12,929	19,528	21,680
	321,201	288,386	274,602	313,853	320,261	311,157
	180,070	253,950	231,569	282,370	279,294	273,192
	145,109	212,173	149,463	94,255	93,609	130,063
	(287,774)	(1,585)				
	805	2,195	19,000	28,411	34,563	47,991
	9,601	145,105	23,299	57,921	3,977	111,239
	16,869	20,435	17,311	18,196	17,925	20,954
						41,319
	134,367	144,959	142,059	143,916	169,546	181,610
	315,242	313,518	382,785	401,281	341,586	381,901
	157,483	91,236	132,100	106,599	112,054	485,140
	<u>2,183,530</u>	<u>2,633,490</u>	<u>2,473,200</u>	<u>2,656,864</u>	<u>2,596,735</u>	<u>3,216,700</u>
			633,357	668,933	5,000	550,000
			250,000		200,000	100,000
	2,000,000	2,000,000	2,500,000	3,045,000	3,200,000	3,000,000
						173,826
					1,125	2,000
\$	<u><u>4,183,530</u></u>	<u><u>4,633,490</u></u>	<u><u>5,856,557</u></u>	<u><u>6,370,797</u></u>	<u><u>6,002,860</u></u>	<u><u>7,042,526</u></u>

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SPECIAL REVENUE FUNDS

Special Revenue Funds are used to finance particular activities and are created out of receipts of specific taxes or other earmarked revenues. Such funds are authorized by statutory or charter provisions to pay for certain activities with some special form of continuing revenues.

CHARTER TOWNSHIP OF COMMERCE

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

DECEMBER 31, 2016

	OPEN SPACE	BUILDING INSPECTION	COMMUNITY DEVELOPMENT
ASSETS			
Cash and cash equivalents	\$ 1,513,264	\$ 1,529,439	\$
Investments			
Receivables			
Interest			
Taxes	719,696		
Due from other funds	6,699		12,111
Due from other governmental units			23,028
Prepaid expenses		1,115	
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>2,239,659</u>	\$ <u>1,530,554</u>	\$ <u>35,139</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 24,439	\$ 17,968	\$
Accrued payroll and other liabilities		7,811	
Due to other funds		121,422	35,139
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	24,439	147,201	35,139
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for the following year	719,696		
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE			
Nonspendable		1,115	
Restricted	1,495,524	1,382,238	
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCE	1,495,524	1,383,353	<u> </u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>2,239,659</u>	\$ <u>1,530,554</u>	\$ <u>35,139</u>

MUSEUM	CEMETERY	TOTALS
\$ 21,303	\$ 129,014	\$ 3,193,020
150,000	190,000	340,000
850	897	1,747
		719,696
		18,810
		23,028
		1,115
<u>172,153</u>	<u>319,911</u>	<u>4,297,416</u>
\$	\$	\$ 42,407
		7,811
		<u>156,561</u>
		206,779
		<u>719,696</u>
		1,115
<u>172,153</u>	<u>319,911</u>	<u>3,369,826</u>
<u>172,153</u>	<u>319,911</u>	<u>3,370,941</u>
\$ <u>172,153</u>	\$ <u>319,911</u>	\$ <u>4,297,416</u>

CHARTER TOWNSHIP OF COMMERCE

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2016

	OPEN SPACE	BUILDING INSPECTION	COMMUNITY DEVELOPMENT
REVENUES			
Property taxes	\$ 651,998	\$	\$
Intergovernmental revenues			
Federal and state grants			28,440
Interest income	8,622		
Charges for services		1,230,479	
Miscellaneous revenue	<u>3,292</u>	<u> </u>	<u> </u>
TOTAL REVENUES	<u>663,912</u>	<u>1,230,479</u>	<u>28,440</u>
EXPENDITURES			
Community services	161,665		28,440
Public health and safety	<u> </u>	<u>523,889</u>	<u> </u>
TOTAL EXPENDITURES	<u>161,665</u>	<u>523,889</u>	<u>28,440</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	502,247	706,590	
OTHER FINANCING USES			
Operating transfers in	<u> </u>	<u> </u>	<u> </u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	502,247	706,590	
FUND BALANCE, JANUARY 1	<u>993,277</u>	<u>676,763</u>	<u> </u>
FUND BALANCE, DECEMBER 31	\$ <u><u>1,495,524</u></u>	\$ <u><u>1,383,353</u></u>	\$ <u><u> </u></u>

MUSEUM	CEMETERY	TOTALS
\$	\$	\$ 651,998
		28,440
1,856	2,563	13,041
	14,020	1,244,499
144	700	4,136
<u>144</u>	<u>700</u>	<u>4,136</u>
2,000	17,283	1,942,114
<u>2,000</u>	<u>17,283</u>	<u>1,942,114</u>
	30,913	221,018
	<u>30,913</u>	<u>523,889</u>
	30,913	744,907
	<u>30,913</u>	<u>744,907</u>
2,000	(13,630)	1,197,207
<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
2,000	(11,630)	1,199,207
<u>170,153</u>	<u>331,541</u>	<u>2,171,734</u>
\$ <u><u>172,153</u></u>	\$ <u><u>319,911</u></u>	\$ <u><u>3,370,941</u></u>

CHARTER TOWNSHIP OF COMMERCE

NONMAJOR SPECIAL REVENUE FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF
INDIVIDUAL FUNDS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	OPEN SPACE		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES			
Property taxes	\$ 651,996	\$ 651,998	\$ 2
Intergovernmental revenues			
Federal and state grants			
Interest income	8,200	8,622	422
Charges for services			
Miscellaneous revenue	<u>3,293</u>	<u>3,292</u>	<u>(1)</u>
TOTAL REVENUES	<u>663,489</u>	<u>663,912</u>	<u>423</u>
EXPENDITURES			
General government			
General services			
Community services	164,120	161,665	2,455
Public health and safety			
TOTAL EXPENDITURES	<u>164,120</u>	<u>161,665</u>	<u>2,455</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	499,369	502,247	2,878
OTHER FINANCING USES			
Operating transfers in			
EXCESS (DEFICIENCY) OF OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	499,369	502,247	2,878
FUND BALANCE, JANUARY 1	<u>993,277</u>	<u>993,277</u>	
FUND BALANCE, DECEMBER 31	<u><u>\$ 1,492,646</u></u>	<u><u>\$ 1,495,524</u></u>	<u><u>\$ 2,878</u></u>

<u>BUILDING INSPECTION</u>			<u>COMMUNITY DEVELOPMENT</u>		
BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
\$	\$	\$	\$	\$	\$
			22,910	28,440	5,530
1,252,550	1,230,479	(22,071)			
<u>1,252,550</u>	<u>1,230,479</u>	<u>(22,071)</u>	<u>22,910</u>	<u>28,440</u>	<u>5,530</u>
590,589	523,889	66,700	23,018	28,440	(5,422)
<u>590,589</u>	<u>523,889</u>	<u>66,700</u>	<u>23,018</u>	<u>28,440</u>	<u>(5,422)</u>
661,961	706,590	44,629	(108)		108
<u>661,961</u>	<u>706,590</u>	<u>44,629</u>	<u>(108)</u>	<u></u>	<u>108</u>
661,961	706,590	44,629	(108)		108
<u>676,763</u>	<u>676,763</u>	<u></u>	<u></u>	<u></u>	<u></u>
\$ <u><u>1,338,724</u></u>	\$ <u><u>1,383,353</u></u>	\$ <u><u>44,629</u></u>	\$ <u><u>(108)</u></u>	\$ <u><u></u></u>	\$ <u><u>108</u></u>

CHARTER TOWNSHIP OF COMMERCE

NONMAJOR SPECIAL REVENUE FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF
INDIVIDUAL FUNDS - BUDGET AND ACTUAL - Concluded
FOR THE YEAR ENDED DECEMBER 31, 2016

	MUSEUM		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES			
Property taxes	\$	\$	\$
Intergovernmental revenues			
Federal and state grants			
Interest income	1,000	1,856	856
Charges for services			
Miscellaneous revenue		144	144
	1,000	2,000	1,000
TOTAL REVENUES			
EXPENDITURES			
General government			
General services			
Community services			
Public health and safety			
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,000	2,000	1,000
OTHER FINANCING USES			
Operating transfers in			
EXCESS (DEFICIENCY) OF OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,000	2,000	1,000
FUND BALANCE, JANUARY 1	170,153	170,153	
FUND BALANCE, DECEMBER 31	\$ 171,153	\$ 172,153	\$ 1,000

CEMETERY

<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
\$	\$	\$
1,500	2,563	1,063
14,100	14,020	(80)
<u>700</u>	<u>700</u>	<u> </u>
<u>16,300</u>	<u>17,283</u>	<u>983</u>
31,000	30,913	87
<u>31,000</u>	<u>30,913</u>	<u>87</u>
(14,700)	(13,630)	1,070
<u>2,000</u>	<u>2,000</u>	<u> </u>
(12,700)	(11,630)	1,070
<u>331,541</u>	<u>331,541</u>	<u> </u>
<u>\$ 318,841</u>	<u>\$ 319,911</u>	<u>\$ 1,070</u>

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DEBT SERVICE FUNDS

Debt Service Funds are established to finance and account for the payment of interest and principal on all general obligation debt and revenue bonds issued for and serviced by a governmental enterprise.

CHARTER TOWNSHIP OF COMMERCE

NONMAJOR DEBT SERVICE FUNDS

COMBINING BALANCE SHEET

DECEMBER 31, 2016

	2010 LAKE SHERWOOD PAVING/ SHERWOOD ACRES PAVING SPECIAL ASSESSMENT G.O. BONDS	1992 LAKE PINE CAPITAL CHARGES SPECIAL ASSESSMENT G.O. BONDS	CENTRAL WEST
ASSETS			
Cash and cash equivalents	\$ 597,564	\$	\$
Due from other funds		763	
Special assessments receivable	<u>125,785</u>	<u></u>	<u></u>
TOTAL ASSETS	<u><u>\$ 723,349</u></u>	<u><u>\$ 763</u></u>	<u><u>\$</u></u>
 DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
DEFERRED INFLOWS OF RESOURCES			
Special assessments	\$ <u>125,785</u>	\$ <u></u>	\$ <u></u>
FUND BALANCE			
Restricted	<u>597,564</u>	<u>763</u>	<u></u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND AND FUND BALANCE	<u><u>\$ 723,349</u></u>	<u><u>\$ 763</u></u>	<u><u>\$</u></u>

2005 CENTRAL WEST ADDITIONAL CHARGES GREENLAWN SEWER CENTRAL WEST CAP CHARGES, SPECIAL PROJECTS #22	2003 LOWER MOUNT ROYAL WEST DREDGING, MIMOSA SEWER, SPECIAL PROJECTS #20 SPECIAL PROJECTS #21	2005 MT. ROYAL BRIDGES, SPECIAL PROJECT #23	2006 SPECIAL PROJECT #24 SPECIAL PROJECT #25 BURNET SEWER	TOTAL
\$ _____	\$ _____	\$ _____	\$ _____	\$ 597,564 763 125,785
\$ _____	\$ _____	\$ _____	\$ _____	\$ 724,112
\$ _____	\$ _____	\$ _____	\$ _____	\$ 125,785
_____	_____	_____	_____	598,327
\$ _____	\$ _____	\$ _____	\$ _____	\$ 724,112

CHARTER TOWNSHIP OF COMMERCE
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2016

	2010 LAKE SHERWOOD PAVING/ SHERWOOD ACRES PAVING SPECIAL ASSESSMENT G.O. BONDS	1992 LAKE PINE CAPITAL CHARGES SPECIAL ASSESSMENT G.O. BONDS	CENTRAL WEST
REVENUES			
Interest income	\$ 8,098	\$	\$ 1,213
Special assessments	<u>89,072</u>	<u> </u>	<u>2,529</u>
TOTAL REVENUES	<u>97,170</u>	<u> </u>	<u>3,742</u>
EXPENDITURES			
Debt principal	480,000		
Debt interest and fees	27,623		
Refunds of assessments	<u> </u>	<u> </u>	<u>865,649</u>
TOTAL EXPENDITURES	<u>507,623</u>	<u> </u>	<u>865,649</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(410,453)</u>	<u> </u>	<u>(861,907)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in			
Operating transfers out	<u> </u>	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	<u> </u>	<u> </u>	<u> </u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(410,453)</u>	<u> </u>	<u>(861,907)</u>
FUND BALANCE, JANUARY 1	<u>1,008,017</u>	<u>763</u>	<u>861,907</u>
FUND BALANCE, DECEMBER 31	<u><u>\$ 597,564</u></u>	<u><u>\$ 763</u></u>	<u><u>\$</u></u>

2005 CENTRAL WEST ADDITIONAL CHARGES GREENLAWN SEWER CENTRAL WEST CAP CHARGES, SPECIAL PROJECTS #22	2003 LOWER MOUNT ROYAL WEST DREDGING, MIMOSA SEWER, SPECIAL #20, SPECIAL PROJECT #21	2005 MT. ROYAL BRIDGES, SPECIAL PROJECT #23	2006 SPECIAL PROJECT #24 SPECIAL PROJECT #25 BURNET SEWER	TOTAL
\$ 147	\$ 4	\$ 98	\$ 169	\$ 9,729
<u>147</u>	<u>4</u>	<u>5,849</u>	<u>5,753</u>	<u>103,203</u>
<u>147</u>	<u>4</u>	<u>5,947</u>	<u>5,922</u>	<u>112,932</u>
<u>122,562</u>	<u>7,395</u>	<u>83,496</u>	<u>48,113</u>	<u>480,000</u>
<u>122,562</u>	<u>7,395</u>	<u>83,496</u>	<u>48,113</u>	<u>27,623</u>
<u>(122,415)</u>	<u>(7,391)</u>	<u>(77,549)</u>	<u>(42,191)</u>	<u>1,127,215</u>
<u>(122,415)</u>	<u>(7,391)</u>	<u>(77,549)</u>	<u>(42,191)</u>	<u>1,634,838</u>
<u>122,415</u>	<u>7,391</u>	<u>77,549</u>	<u>42,191</u>	<u>(1,521,906)</u>
<u>122,415</u>	<u>7,391</u>	<u>77,549</u>	<u>42,191</u>	<u>2,120,233</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 598,327</u>

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COMPONENT UNIT

A discretely presented component unit is an entity that is legally separate from the Township, but for which the Township is financially accountable or its relationship with the Township is such that exclusion would cause the Township's financial statements to be misleading or incomplete.

The component unit of the Charter Township of Commerce is:

Downtown Development Authority

CHARTER TOWNSHIP OF COMMERCE
COMPONENT UNIT
DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET
DECEMBER 31, 2016

	CAPITAL PROJECTS
ASSETS	
Cash and cash equivalents	\$ 754,353
Prepaid expenses	<u>3,344</u>
TOTAL ASSETS	\$ <u><u>757,697</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ <u>11,485</u>
FUND BALANCE	
Restricted for Commerce Towne Place pathway	268,656
Unassigned	<u>477,556</u>
TOTAL FUND BALANCE	<u>746,212</u>
 TOTAL LIABILITIES AND FUND BALANCE	 \$ <u><u>757,697</u></u>

CHARTER TOWNSHIP OF COMMERCE
COMPONENT UNIT
DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2016

REVENUES	
Current property taxes	\$ 1,343,990
Other income	33,883
Proceeds from sale of land	2,647,418
Interest income	<u>6,755</u>
TOTAL REVENUES	<u>4,032,046</u>
EXPENDITURES	
Professional fees	241,208
Wages	60,275
Construction	99,607
Debt service	
Principal	6,550,000
Interest and fees	<u>1,864,751</u>
TOTAL EXPENDITURES	<u>8,815,841</u>
EXCESS OF REVENUES OVER EXPENDITURES	(4,783,795)
OTHER FINANCING SOURCES (USES)	
Advance from Township	<u>1,500,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(3,283,795)
FUND BALANCE, JANUARY 1	<u>4,030,007</u>
FUND BALANCE, DECEMBER 31	<u><u>\$ 746,212</u></u>

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Layton & Richardson, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' 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
Charter Township of Commerce
Commerce, Michigan

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Commerce, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Charter Township of Commerce's basic financial statements and have issued our report thereon dated June 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter Township of Commerce'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 Charter Township of Commerce's internal control. Accordingly we do not express an opinion on the effectiveness of the Charter Township of Commerce's internal control.

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

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

Compliance and Other Matters

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

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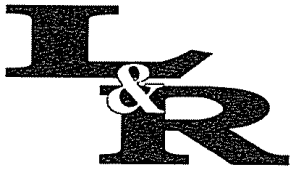
Purpose of this Report

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.



Certified Public Accountants

East Lansing, Michigan
June 15, 2017



Layton & Richardson, P.C.

Certified Public Accountants

LETTER OF COMMENTS AND RECOMMENDATIONS

Township Board
Charter Township of Commerce
Commerce, Michigan

In planning and performing our audit of the financial statements of Charter Township of Commerce, as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Charter Township of Commerce's internal control over financial reporting (internal control) as a basis for designing auditing 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 the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously communicated to you about the Township's internal control in our letter dated June 15, 2017. This letter does not affect our report dated June 15, 2017, on the financial statements of Charter Township of Commerce.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Charter Township of Commerce's personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, Charter Township of Commerce, and others within the Township, and is not intended to be, and should not be, used by anyone other than those specified parties.

Certified Public Accountants

East Lansing, Michigan
June 15, 2017

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MEMORANDUM

PRIOR YEAR RECOMMENDATIONS

ESCROW DEPOSITS

Currently, there is a large balance of escrow deposits, some dating back 20 years. We recommend the Board review the escrow ordinance and balances in this fund to determine if they can be transferred to the general fund. **This recommendation has not been implemented, but escrow deposits are being reviewed for old outstanding items.**

BANK RECONCILIATIONS

Currently, the person reconciling the bank accounts is also an authorized check signer. We recommend that someone independent of the check signing and check preparation functions prepare the bank reconciliations. **Current year status: This recommendation has not been implemented.**

CASH DEPOSITS

Currently, there is no formal review of the deposit slips after the deposit has been made. We recommend that a person independent of making the bank deposit review the deposit slip receipt and compare it to the original information and document this review. **Current year status: This recommendation has been implemented.**

CURRENT YEAR RECOMMENDATIONS

None