
Charter Township of Commerce

Oakland County, Michigan

**Financial Report
with Supplemental Information
December 31, 2019**

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Commerce

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Commerce (the "Township") as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Charter Township of Commerce's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Commerce as of December 31, 2019 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the basic financial statements, during the year ended December 31, 2019, the Township adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which provides guidance on the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

To the Board of Trustees
Charter Township of Commerce

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the major fund budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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 Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter Township of Commerce's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

May 26, 2020

As management of the Charter Township of Commerce (the "Township"), we offer readers this narrative overview and analysis of the financial activities for the year ended December 31, 2019.

Financial Highlights

The Township has an obligation to support the debt service requirements of the Downtown Development Authority (a discretely presented component unit) (the "DDA"). As discussed in further detail below, the DDA has incurred debt that the Township has guaranteed; the Township has recorded a liability of \$19 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 sheriff and fire protection services 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 sheriff and up to 2.0 mills for fire services. This new revenue began with the 2011 budget and expires with the 2020 budget. These special assessments were renewed by voters in November 2018. The renewed special assessments take effect for budget years 2021 through 2030, inclusive. The new voted maximums are 2.9 and 2.8 mills for sheriff and fire protection services, respectively.

The Township continues to monitor the estimated sell-off 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 last of 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 the reader 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.

Government-wide Overall Financial Analysis

Net position over time may serve as a useful indicator of a government's financial position. In the case of the Township, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$163,568,943 at the close of the most recent fiscal year.

Charter Township of Commerce

Management's Discussion and Analysis (Continued)

The Township's Net Position

	Governmental Activities			
	2018	2019	Change	Percent Change
Assets				
Current and other assets:				
Cash and investments	\$ 46,775,997	\$ 49,610,834	\$ 2,834,837	6.1
Receivables	7,928,965	7,869,223	(59,742)	(0.8)
Other assets	11,310,262	15,617,471	4,307,209	38.1
Capital assets	32,401,209	35,577,779	3,176,570	9.8
Total assets	98,416,433	108,675,307	10,258,874	10.4
Liabilities				
Current liabilities	1,008,330	2,673,613	1,665,283	165.2
Noncurrent liabilities	20,164,458	20,164,619	161	-
Total liabilities	21,172,788	22,838,232	1,665,444	7.9
Deferred Inflows of Resources	17,205,292	18,121,249	915,957	5.3
Net Position				
Net investment in capital assets	32,401,209	34,710,818	2,309,609	7.1
Restricted	10,064,956	11,978,473	1,913,517	19.0
Unrestricted	17,572,188	21,026,535	3,454,347	19.7
Total net position	<u>\$ 60,038,353</u>	<u>\$ 67,715,826</u>	<u>\$ 7,677,473</u>	12.8

	Business-type Activities			
	2018	2019	Change	Percent Change
Assets				
Current and other assets:				
Cash and investments	\$ 23,063,864	\$ 25,956,815	\$ 2,892,951	12.5
Receivables	5,871,647	5,158,699	(712,948)	(12.1)
Other assets	60,218	59,020	(1,198)	(2.0)
Capital assets	109,236,187	105,146,731	(4,089,456)	(3.7)
Total assets	138,231,916	136,321,265	(1,910,651)	(1.4)
Deferred Outflows of Resources	826,444	874,412	47,968	5.8
Liabilities				
Current liabilities	1,232,316	1,162,128	(70,188)	(5.7)
Noncurrent liabilities	41,336,492	40,180,432	(1,156,060)	(2.8)
Total liabilities	42,568,808	41,342,560	(1,226,248)	(2.9)
Net Position				
Net investment in capital assets	68,726,139	65,840,711	(2,885,428)	(4.2)
Unrestricted	27,763,413	30,012,406	2,248,993	8.1
Total net position	<u>\$ 96,489,552</u>	<u>\$ 95,853,117</u>	<u>\$ (636,435)</u>	(0.7)

Charter Township of Commerce

Management's Discussion and Analysis (Continued)

The following table shows the current year's change in net position compared to the prior year amounts:

The Township's Changes in Net Position

	Governmental Activities			
	2018	2019	Change	Percent Change
Revenue				
Program revenue:				
Charges for services	\$ 4,531,270	\$ 4,789,997	\$ 258,727	5.7
Operating grants	217,473	202,417	(15,056)	(6.9)
Capital grants	28,490	557,092	528,602	1,855.4
General revenue:				
Taxes	13,627,315	14,439,075	811,760	6.0
Intergovernmental	3,707,929	3,293,427	(414,502)	(11.2)
Investment earnings	729,378	1,084,584	355,206	48.7
Other revenue:				
Cable franchise fees	635,260	636,112	852	0.1
Sale of capital assets	-	1,000	1,000	-
Changes in financial estimates	-	880,011	880,011	-
Other miscellaneous revenue	462,365	507,303	44,938	9.7
Total revenue	23,939,480	26,391,018	2,451,538	10.2
Expenses				
General government	2,839,074	2,395,677	(443,397)	(15.6)
Public safety:				
Sheriff contract	5,328,095	5,769,041	440,946	8.3
Fire	2,987,726	3,516,557	528,831	17.7
Building inspection	1,031,367	947,881	(83,486)	(8.1)
Ordinance enforcement	49,208	66,992	17,784	36.1
Public works:				
Road improvements	283,928	24,195	(259,733)	(91.5)
Rubbish disposal	2,491,212	2,513,489	22,277	0.9
M-5 pedestrian bridge	765,484	418,078	(347,406)	(45.4)
Street lighting	89,331	97,582	8,251	9.2
Weed control	71,580	105,951	34,371	48.0
Other public works	52,687	53,866	1,179	2.2
SMART bus	18,482	18,482	-	-
CDBG	11,303	2,440	(8,863)	(78.4)
Community and economic development	200,608	207,383	6,775	3.4
Recreation and culture	2,477,447	2,630,292	152,845	6.2
Changes in financial estimates	901,747	-	(901,747)	(100.0)
Capital outlay	11,586	-	(11,586)	(100.0)
Total expenses	19,610,865	18,713,545	(897,320)	(4.6)
Change in Net Position	\$ 4,328,615	\$ 7,677,473	\$ 3,348,858	77.4

Charter Township of Commerce

Management's Discussion and Analysis (Continued)

	Business-type Activities			
	2018	2019	Change	Percent Change
Revenue				
Program revenue:				
Charges for services	\$ 14,619,318	\$ 15,867,977	\$ 1,248,659	8.5
Capital contributions	1,699,475	1,219,158	(480,317)	(28.3)
General revenue	371,336	533,203	161,867	43.6
Total revenue	16,690,129	17,620,338	930,209	5.6
Expenses				
Sewer Fund	11,294,204	12,018,591	724,387	6.4
Water Fund	6,911,271	6,238,182	(673,089)	(9.7)
Total expenses	18,205,475	18,256,773	51,298	0.3
Change in Net Position	\$ (1,515,346)	\$ (636,435)	\$ 878,911	(58.0)

In 2019, total primary government revenue exceeded expenses by \$7.6 million. Along with the increase in net position, total assets increased by \$8.3 million. The Township spent approximately \$4 million on governmental activities capital asset additions. During 2019, the Township advanced an additional \$4 million to the DDA. It is anticipated that after the last of 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.

Financial Analysis of Individual Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for discretionary use, as it represents the portion of the fund balance that has not yet been limited to use for a particular purpose by an external party. Uncommitted or unassigned fund balance provides further information about the resources that have not been constrained by either the board of trustees or a group or individual that has been delegated authority to assign resources for use for particular purposes by the board of trustees.

Our analysis of the Township's major funds begins on page 12, 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's board creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as a special property tax millage. The Township's major governmental-type funds for 2019 include the General Fund, the Fire Fund, the Sheriff Fund, the Improvement and Building Fund, and the Debt Sinking fund. The major business-type funds are the Sewer Fund and the Water Fund.

Within these governmental funds, the General, Fire, Sheriff, and Improvement and Building funds are the most significant to understanding the Township's financial activities. In addition, the Water and Sewer funds are a significant enterprise activity for the Township. A brief analysis of the General Fund is presented below:

General Fund Budgetary Highlights

During 2019, the General Fund budget did not require significant amendments, other than to capital outlay. During the year, actual revenue was \$402,635 greater than budgetary estimates largely due to state revenue sharing and licenses and permits income exceeding expectations. Expenditures were less than budget by \$458,992. Following transfers out, the fund balance, on a budgetary basis, increased \$100,875.

Charter Township of Commerce

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

At the end of 2019, the Township had \$140 million invested in a broad range of capital assets net of depreciation, including buildings, office equipment, fire vehicles and equipment, a wastewater treatment plant, and water and sewer lines. During 2019, the business-type activities expended approximately \$352K for capital asset improvements.

Business-type activity debt is \$40.2 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 \$57.2 million of long-term debt that was used to acquire property and construct Martin Parkway. The intent was to resell 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 significantly less than 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.

Over the last three years the Township has successfully refunded all previously outstanding debt for the Sewer Fund and the DDA without extending the years to maturity. These refundings resulted in net present value savings of \$4.3 million for the Township and \$2.2 million for the DDA.

The Charter Township of Commerce's most recent debt issuances (done in 2019) received ratings of AA+ from Standard & Poor's and Aa1 from Moody's. More detailed information concerning the Township's capital assets and long-term debt can be found in Notes 5 and 7, respectively, in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Overall real property taxable value has increased more than 5 percent from 2018 taxable levels. This is due largely to significant building and development within the Township. Accordingly, we expect an increase in our special assessment revenue for fire and police services, state-shared revenue, and DDA capture.

Commerce Township, along with the cities of Walled Lake and Wixom, Michigan, is a member of the Commerce, Walled Lake, and Wixom Trailway Management Council (the "Trailway Council"). The Township supports maintenance of the trail through the Trailway Council.

In 2018, construction plans were launched for a barrier-free playground within the boundaries of the Township's Dodge Park V. Scarlet's Smile, a 501(c)(3) not-for-profit organization, selected Commerce Township for the location of this recreational area where children of all abilities can play together. Commerce Township will be assisting with the grant funding process and common areas, such as parking lots and facilities. Construction is expected to be complete in 2020.

In early 2018, First & Main senior housing opened a new location in Commerce Township, addressing the growing need for this service in our area.

In October 2019, the Downtown Development Authority sold land to a developer to build a downtown shopping district. Construction is expected to start in 2021.

Current Economic Events

While the real estate markets continue to improve, it will be important for the Township to keep a watchful eye on expenses, as it is unlikely taxable value increases will be as great as the increases in expenses. Taxable value as of the December 1, 2019 tax billing had increased approximately 10.2 percent compared to the prior year.

The United States and State of Michigan declared a state of emergency in March 2020 due to the global coronavirus (COVID-19) pandemic. COVID-19 will impact subsequent periods of the Township. The Township anticipates a reduction in state-shared revenue beginning with the June 2020 disbursement, but the extent of the reduction and the impact on the Township's other revenue, future operating costs, and any recovery from emergency funding cannot be determined.

Charter Township of Commerce

Management's Discussion and Analysis (Continued)

Requests for Further Information

This financial report is intended to provide a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Office of the Supervisor at 2009 Township Drive, Commerce Township, MI 48390. This report, township budgets, and other financial information are available on the Township's website at www.commercetwp.com.

Charter Township of Commerce

Statement of Net Position

December 31, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 49,610,834	\$ 25,956,815	\$ 75,567,649	\$ 4,331,476
Receivables (Note 4)	7,855,541	5,172,381	13,027,922	408,834
Internal balances	13,682	(13,682)	-	-
Prepaid expenses	102,464	59,020	161,484	3,849
Land held for resale	-	-	-	8,621,367
Capital assets: (Note 5)				
Assets not subject to depreciation	13,660,157	732,602	14,392,759	2,059,867
Assets subject to depreciation - Net	21,917,622	104,414,129	126,331,751	-
Long-term advance to component unit (including interest) (Notes 6 and 8)	15,515,007	-	15,515,007	-
Total assets	108,675,307	136,321,265	244,996,572	15,425,393
Deferred Outflows of Resources - Deferred charge on bond refunding				
	-	874,412	874,412	-
Liabilities				
Accounts payable	1,063,975	749,048	1,813,023	5,783
Due to other governmental units	-	144,362	144,362	-
Due to primary government (Notes 6 and 8)	-	-	-	15,515,007
Refundable deposits, bonds, etc.	1,438,389	-	1,438,389	-
Accrued liabilities and other	171,249	139,117	310,366	526,811
Unearned revenue	-	129,601	129,601	-
Noncurrent liabilities: (Note 7)				
Due within one year	136,487	1,220,000	1,356,487	3,755,000
Due in more than one year	20,028,132	38,960,432	58,988,564	53,398,621
Total liabilities	22,838,232	41,342,560	64,180,792	73,201,222
Deferred Inflows of Resources - Taxes and assessments levied for the following year				
	18,121,249	-	18,121,249	650,253
Net Position (Deficit)				
Net investment in capital assets	34,710,818	65,840,711	100,551,529	-
Restricted:				
Sheriff	1,827,541	-	1,827,541	-
Fire	3,494,072	-	3,494,072	-
Building inspections (Note 2)	2,068,808	-	2,068,808	-
Library	2,325,620	-	2,325,620	-
Other restrictions (Note 10)	2,262,432	-	2,262,432	-
Unrestricted	21,026,535	30,012,406	51,038,941	(58,426,082)
Total net position (deficit)	<u>\$ 67,715,826</u>	<u>\$ 95,853,117</u>	<u>\$ 163,568,943</u>	<u>\$ (58,426,082)</u>

Charter Township of Commerce

Functions/Programs	Program Revenue			Capital Grants and Contributions
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 2,395,677	\$ 756,468	\$ 53,080	\$ 557,092
Public safety	10,300,471	1,200	43,750	-
Public works	3,177,282	2,811,586	70,171	-
Health and welfare	2,440	-	-	-
Community and economic development	207,383	1,193,012	-	-
Recreation and culture	2,630,292	27,731	35,416	-
Total governmental activities	18,713,545	4,789,997	202,417	557,092
Business-type activities:				
Sewer Fund	12,018,591	9,036,904	-	894,703
Water Fund	6,238,182	6,831,073	-	324,455
Total business-type activities	18,256,773	15,867,977	-	1,219,158
Total primary government	<u>\$ 36,970,318</u>	<u>\$ 20,657,974</u>	<u>\$ 202,417</u>	<u>\$ 1,776,250</u>
Component units - DDA	<u>\$ 9,841,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenue:

- Taxes
- Unrestricted state-shared revenue
- Unrestricted investment income
- Cable franchise fees
- Gain on sale of capital assets
- Reduction in estimated debt guarantee
- Other miscellaneous income

Total general revenue

Change in Net Position

Net Position (Deficit) - Beginning of year

Net Position (Deficit) - End of year

Statement of Activities

Year Ended December 31, 2019

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (1,029,037)	\$ -	\$ (1,029,037)	\$ -
(10,255,521)	-	(10,255,521)	-
(295,525)	-	(295,525)	-
(2,440)	-	(2,440)	-
985,629	-	985,629	-
(2,567,145)	-	(2,567,145)	-
(13,164,039)	-	(13,164,039)	-
-	(2,086,984)	(2,086,984)	-
-	917,346	917,346	-
-	(1,169,638)	(1,169,638)	-
(13,164,039)	(1,169,638)	(14,333,677)	-
-	-	-	(9,841,458)
14,439,075	-	14,439,075	1,625,737
3,293,427	-	3,293,427	94,092
1,084,584	533,203	1,617,787	16,407
636,112	-	636,112	-
1,000	-	1,000	3,875,000
880,011	-	880,011	-
507,303	-	507,303	10,435
20,841,512	533,203	21,374,715	5,621,671
7,677,473	(636,435)	7,041,038	(4,219,787)
60,038,353	96,489,552	156,527,905	(54,206,295)
<u>\$ 67,715,826</u>	<u>\$ 95,853,117</u>	<u>\$ 163,568,943</u>	<u>\$ (58,426,082)</u>

Charter Township of Commerce

Governmental Funds Balance Sheet

December 31, 2019

	General Fund	Fire Fund	Sheriff Fund	Improvement and Building	Debt Sinking Fund	Nonmajor Funds	Total Governmental Funds
Assets							
Cash and investments (Note 3)	\$ 20,630,457	\$ 6,092,414	\$ 5,601,507	\$ 3,049,245	\$ 8,017,986	\$ 6,219,225	\$ 49,610,834
Receivables (Note 4)	1,956,961	1,637,483	2,228,402	961,100	-	1,071,595	7,855,541
Due from other funds	13,682	3,250	-	-	-	-	16,932
Prepaid expenses	31,467	57,058	-	-	-	13,939	102,464
Long-term advance to component unit (including interest) (Note 6)	15,515,007	-	-	-	-	-	15,515,007
Total assets	\$ 38,147,574	\$ 7,790,205	\$ 7,829,909	\$ 4,010,345	\$ 8,017,986	\$ 7,304,759	\$ 73,100,778
Liabilities							
Accounts payable	\$ 219,774	\$ 95,784	\$ 474,083	\$ 236,627	\$ -	\$ 37,707	\$ 1,063,975
Due to other funds	-	-	3,250	-	-	-	3,250
Refundable deposits, bonds, etc.	1,438,389	-	-	-	-	-	1,438,389
Accrued liabilities and other	63,917	83,000	-	-	-	24,332	171,249
Total liabilities	1,722,080	178,784	477,333	236,627	-	62,039	2,676,863
Deferred Inflows of Resources							
Unavailable revenue	15,515,007	-	-	-	-	-	15,515,007
Taxes and assessments levied for the following year	2,924,261	4,117,349	5,525,035	2,899,936	-	2,654,668	18,121,249
Total deferred inflows of resources	18,439,268	4,117,349	5,525,035	2,899,936	-	2,654,668	33,636,256
Total liabilities and deferred inflows of resources	20,161,348	4,296,133	6,002,368	3,136,563	-	2,716,707	36,313,119
Fund Balances (Note 9)							
Nonspendable	31,467	57,058	-	-	-	13,939	102,464
Restricted	2,068,808	3,437,014	1,827,541	-	-	4,574,113	11,907,476
Committed	1,358,899	-	-	873,782	-	-	2,232,681
Assigned	945,086	-	-	-	8,017,986	-	8,963,072
Unassigned	13,581,966	-	-	-	-	-	13,581,966
Total fund balances	17,986,226	3,494,072	1,827,541	873,782	8,017,986	4,588,052	36,787,659
Total liabilities, deferred inflows of resources, and fund balances	\$ 38,147,574	\$ 7,790,205	\$ 7,829,909	\$ 4,010,345	\$ 8,017,986	\$ 7,304,759	\$ 73,100,778

Charter Township of Commerce

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

December 31, 2019

Fund Balances Reported in Governmental Funds	\$ 36,787,659
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 are not reported in the funds	35,577,779
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	15,515,007
Capital lease is not due and payable in the current period and is not reported in the funds	(866,961)
Nonexchange financial guarantee is not due and payable in the current period and is not reported in the funds	(19,061,740)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(235,918)
Net Position of Governmental Activities	<u><u>\$ 67,715,826</u></u>

Charter Township of Commerce

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2019

	General Fund	Fire Fund	Sheriff Fund	Improvement and Building	Debt Sinking Fund	Nonmajor Funds	Total Governmental Funds
Revenue							
Property taxes and voter-approved assessments	\$ 2,788,190	\$ 3,888,686	\$ 5,223,261	\$ -	\$ -	\$ 2,538,938	\$ 14,439,075
Special assessments	-	-	-	-	-	39,191	39,191
Intergovernmental	3,368,226	-	39,050	-	-	5,605	3,412,881
Charges for services	1,448,781	1,200	-	2,707,209	-	14,853	4,172,043
Fines and forfeitures	131,031	-	-	-	-	24,458	155,489
Licenses and permits	719,453	-	-	-	-	118,044	837,497
Interest and rentals	718,152	81,507	46,152	66,062	202,917	79,685	1,194,475
Other revenue	144,717	58,791	317,420	30,000	-	9,680	560,608
Total revenue	9,318,550	4,030,184	5,625,883	2,803,271	202,917	2,830,454	24,811,259
Expenditures							
Current services:							
General government	2,445,973	-	-	-	-	-	2,445,973
Public safety	1,014,873	3,610,378	5,213,306	-	-	-	9,838,557
Public works	65,029	-	-	3,100,351	-	31,496	3,196,876
CDBG	2,440	-	-	-	-	-	2,440
Community and economic development	207,383	-	-	-	4,000,000	-	4,207,383
Recreation and culture	659,699	-	-	-	-	1,479,991	2,139,690
Capital outlay	1,650,249	1,639,078	-	34,767	-	413,924	3,738,018
Total expenditures	6,045,646	5,249,456	5,213,306	3,135,118	4,000,000	1,925,411	25,568,937
Excess of Revenue Over (Under) Expenditures	3,272,904	(1,219,272)	412,577	(331,847)	(3,797,083)	905,043	(757,678)
Other Financing Sources (Uses)							
Transfers in	-	-	-	200,000	2,000,000	610,000	2,810,000
Transfers out	(2,810,000)	-	-	-	-	-	(2,810,000)
Capital leases	-	960,782	-	-	-	-	960,782
Sale of capital assets	1,000	-	-	-	-	-	1,000
Total other financing (uses) sources	(2,809,000)	960,782	-	200,000	2,000,000	610,000	961,782
Net Change in Fund Balances	463,904	(258,490)	412,577	(131,847)	(1,797,083)	1,515,043	204,104
Fund Balances - Beginning of year	17,522,322	3,752,562	1,414,964	1,005,629	9,815,069	3,073,009	36,583,555
Fund Balances - End of year	\$ 17,986,226	\$ 3,494,072	\$ 1,827,541	\$ 873,782	\$ 8,017,986	\$ 4,588,052	\$ 36,787,659

Charter Township of Commerce

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended December 31, 2019

Net Change in Fund Balances Reported in Governmental Funds	\$ 204,104
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, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	4,593,191
Depreciation expense	(1,416,621)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	4,296,960
Entering into capital lease agreement provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(960,782)
Change in nonexchange financial guarantee does not require current financial resources and is not reported in the governmental funds	880,011
Payments on capital lease obligations are expenditures in the governmental funds, but not in the statement of activities (where they reduce long-term debt)	93,821
The cost of compensated absences does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds	(13,211)
Change in Net Position of Governmental Activities	<u>\$ 7,677,473</u>

Charter Township of Commerce

Proprietary Funds Statement of Net Position

December 31, 2019

	Sewer Fund	Water Fund	Total Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 15,314,844	\$ 10,641,971	\$ 25,956,815
Receivables (Note 4)	2,365,617	2,595,401	4,961,018
Due from other funds (Note 6)	-	13,684	13,684
Prepaid expenses	29,510	29,510	59,020
Total current assets	17,709,971	13,280,566	30,990,537
Noncurrent assets:			
Special assessment receivables - Greater than one year (Note 4)	211,363	-	211,363
Capital assets: (Note 5)			
Assets not subject to depreciation	657,479	75,123	732,602
Assets subject to depreciation - Net	77,685,021	26,729,108	104,414,129
Total noncurrent assets	78,553,863	26,804,231	105,358,094
Total assets	96,263,834	40,084,797	136,348,631
Deferred Outflows of Resources - Bond refunding	874,412	-	874,412
Liabilities			
Current liabilities:			
Accounts payable	128,480	620,568	749,048
Due to other governmental units	144,362	-	144,362
Due to other funds (Note 6)	27,366	-	27,366
Accrued liabilities and other	139,117	-	139,117
Unearned revenue	-	129,601	129,601
Current portion of bonds payable (Note 7)	1,220,000	-	1,220,000
Total current liabilities	1,659,325	750,169	2,409,494
Noncurrent liabilities - Bonds payable (Note 7)	38,960,432	-	38,960,432
Total liabilities	40,619,757	750,169	41,369,926
Net Position			
Net investment in capital assets	39,036,480	26,804,231	65,840,711
Unrestricted	17,482,009	12,530,397	30,012,406
Total net position	\$ 56,518,489	\$ 39,334,628	\$ 95,853,117

Charter Township of Commerce

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position

Year Ended December 31, 2019

	Sewer Fund	Water Fund	Total Enterprise Funds
Operating Revenue			
Sale of water	\$ -	\$ 6,828,808	\$ 6,828,808
Sewage disposal charges	8,771,678	-	8,771,678
Installation fees	247,481	-	247,481
Other income	17,745	2,265	20,010
Total operating revenue	9,036,904	6,831,073	15,867,977
Operating Expenses			
Cost of water	-	4,838,165	4,838,165
Cost of sewage treatment	5,062,259	-	5,062,259
Other operating and maintenance costs	1,906,092	282,789	2,188,881
Depreciation	3,324,627	1,117,228	4,441,855
Total operating expenses	10,292,978	6,238,182	16,531,160
Operating (Loss) Income	(1,256,074)	592,891	(663,183)
Nonoperating Revenue (Expense)			
Investment income	348,925	184,278	533,203
Interest expense	(1,725,613)	-	(1,725,613)
Total nonoperating (expense) revenue	(1,376,688)	184,278	(1,192,410)
(Loss) Income - Before capital contributions	(2,632,762)	777,169	(1,855,593)
Capital Contributions			
Special assessments	-	43,601	43,601
Benefit fees	894,703	280,854	1,175,557
Total capital contributions	894,703	324,455	1,219,158
Change in Net Position	(1,738,059)	1,101,624	(636,435)
Net Position - Beginning of year	58,256,548	38,233,004	96,489,552
Net Position - End of year	\$ 56,518,489	\$ 39,334,628	\$ 95,853,117

Charter Township of Commerce

Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2019

	Sewer Fund	Water Fund	Total Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 9,390,011	\$ 6,911,858	\$ 16,301,869
Receipts from interfund services and reimbursements	27,366	(13,684)	13,682
Payments to suppliers	(7,026,576)	(5,128,162)	(12,154,738)
Other (payments) receipts	(11,471)	36,066	24,595
	<u>2,379,330</u>	<u>1,806,078</u>	<u>4,185,408</u>
Net cash and cash equivalents provided by operating activities	2,379,330	1,806,078	4,185,408
Cash Flows (Used in) Provided by Noncapital Financing Activities - Transfers (to) from other funds	(201,077)	201,077	-
Cash Flows from Capital and Related Financing Activities			
Special assessment collections	240,779	43,601	284,380
Benefit fees	894,703	280,854	1,175,557
Purchase of capital assets	(277,276)	(75,123)	(352,399)
Principal and interest paid on capital debt	(2,933,198)	-	(2,933,198)
	<u>(2,074,992)</u>	<u>249,332</u>	<u>(1,825,660)</u>
Net cash and cash equivalents (used in) provided by capital and related financing activities	(2,074,992)	249,332	(1,825,660)
Cash Flows Provided by Investing Activities - Interest received on investments	348,925	184,278	533,203
	<u>348,925</u>	<u>184,278</u>	<u>533,203</u>
Net Increase in Cash and Cash Equivalents	452,186	2,440,765	2,892,951
Cash and Cash Equivalents - Beginning of year	14,862,658	8,201,206	23,063,864
	<u>14,862,658</u>	<u>8,201,206</u>	<u>23,063,864</u>
Cash and Cash Equivalents - End of year	<u>\$ 15,314,844</u>	<u>\$ 10,641,971</u>	<u>\$ 25,956,815</u>
Classification of Cash and Cash Equivalents - Cash and investments	<u>\$ 15,314,844</u>	<u>\$ 10,641,971</u>	<u>\$ 25,956,815</u>
Reconciliation of Operating (Loss) Income to Net Cash and Cash Equivalents from Operating Activities			
Operating (loss) income	\$ (1,256,074)	\$ 592,891	\$ (663,183)
Adjustments to reconcile operating (loss) income to net cash and cash equivalents from operating activities:			
Depreciation and amortization	3,324,627	1,117,228	4,441,855
Changes in assets and liabilities:			
Receivables	341,636	116,851	458,487
Due to and from other funds	27,366	(13,684)	13,682
Prepaid and other assets	6,621	(5,423)	1,198
Accounts payable	(64,846)	(1,785)	(66,631)
	<u>3,635,404</u>	<u>1,213,187</u>	<u>4,848,591</u>
Total adjustments	3,635,404	1,213,187	4,848,591
Net cash and cash equivalents provided by operating activities	<u>\$ 2,379,330</u>	<u>\$ 1,806,078</u>	<u>\$ 4,185,408</u>

Charter Township of Commerce

**Fiduciary Funds
Statement of Fiduciary Net Position**

December 31, 2019

	<u>Retirement Health Funding Vehicle</u>	<u>Tax Collection Fund</u>	<u>Total Fiduciary Funds</u>
Assets			
Cash and cash equivalents	\$ -	\$ 215,015	\$ 215,015
Investments:			
Stocks and bonds	366,807	-	366,807
Short-term investments	51,649	-	51,649
Total assets	<u>418,456</u>	<u>215,015</u>	<u>633,471</u>
Liabilities - Accounts payable	<u>-</u>	<u>215,015</u>	<u>215,015</u>
Net Position			
Restricted - Postemployment benefits other than pension	<u>\$ 418,456</u>	<u>\$ -</u>	<u>\$ 418,456</u>
Total net position	<u>\$ 418,456</u>	<u>\$ -</u>	<u>\$ 418,456</u>

Charter Township of Commerce

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2019

	Retirement Health Funding Vehicle	Tax Collection Fund	Total Fiduciary Funds
Additions			
Investment income (loss):			
Net increase in fair value of investments	\$ 42,437	\$ -	\$ 42,437
Investment-related expenses	(729)	-	(729)
Net investment income	41,708	-	41,708
Property tax collections	-	52,662,919	52,662,919
Total additions	41,708	52,662,919	52,704,627
Deductions			
Benefit payments	5,000	-	5,000
Tax disbursements	-	52,662,919	52,662,919
Total deductions	5,000	52,662,919	52,667,919
Net Increase in Fiduciary Net Position	36,708	-	36,708
Net Position - Beginning of year (as restated) (Note 14)	381,748	-	381,748
Net Position - End of year	\$ 418,456	\$ -	\$ 418,456

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

The Township follows accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

The Township is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component unit, an entity for which the Township is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township.

Discretely Presented Component Unit

The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA's governing body, which consists of seven individuals, is selected by the township board. In addition, the Authority's budget is subject to approval by the township board. Complete financial reports can be obtained at their administrative offices at 2009 Township Drive, Commerce Township, MI 48390.

The retiree healthcare plan is governed by the township board. Although the retiree healthcare plan is legally separate from the Township, it is reported as a fiduciary component unit because the Township board serves as the plan's board and the plan imposes a financial burden on the Township.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the Township's water and sewer function and various other functions. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

Note 1 - Significant Accounting Policies (Continued)

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Township has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Township considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow."

Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Accounting

The Township accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the Township to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The Township reports the following funds as "major" governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Fire Fund reports the proceeds of a township-wide special assessment for fire services.
- The Sheriff Fund reports the proceeds of a township-wide special assessment for police services, which are currently provided by the Oakland County Sheriff's department.
- The Improvement and Building Fund accounts for the major improvements within the Township, refuse collection, and other assessments, including weed and dust control, snow removal, and street lighting.
- The Debt Sinking Fund accounts for resources set aside to fund the financial guarantee of the Downtown Development Authority's debt.

Note 1 - Significant Accounting Policies (Continued)

Additionally, the Township reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. These include the Open Space Fund (which accounts for the proceeds of a special millage for open space acquisition), Community Development Block Grant Fund, Museum Fund, Cemetery Fund, and Library Fund.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt. This includes the Special Assessment Debt Fund, which accounts for the collection of the various 10-year special assessments that are used to repay the related debt. As of this time, all special assessment debt has been paid off.

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the Township). The Township has no internal service funds; it reports the following funds as "major" enterprise funds:

- The Sewer Fund disposes of sanitary sewage in exchange for quarterly user charges. The system is managed by the Oakland County Water Resources Commission.
- The Water Fund provides water to customers in exchange for quarterly usage charges. The system is managed by the Oakland County Water Resources Commission.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the Township's programs. The Township reports the following fiduciary funds:

- The Retirement Health Funding Vehicle Fund accumulates resources for future retiree healthcare payments to retirees.
- The Tax Collection Fund collects taxes on behalf of all the taxing authorities (state, county, school district, township, and the various smaller authorities).

Interfund Activity

During the course of operations, the Township has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Note 1 - Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Inventories and Prepaid Items

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

Capital Assets

Capital assets are reported in the applicable governmental, business-type, and component unit columns activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Depreciable Life - Years
Land improvements	10-20
Buildings	10-40
Equipment	5-20
Vehicles	3-20
Utility systems	10-40
Books and materials	5-7

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as "other financing sources" and bond discounts as "other financing uses." The debt sinking fund will be used to liquidate the DDA nonexchange financial guarantee.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

Note 1 - Significant Accounting Policies (Continued)

The Township reports the following deferred outflows of resources and deferred inflows of resources:

	Outflows	Inflows
Unavailable revenue (revenue not collected within the period of availability) - Reported only at the modified accrual level		✓
Deferred charge on bond refunding	✓	
Property taxes levied for the following year		✓

Net Position

Net position of the Township is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of investment in capital or restricted.

Net Position Flow Assumption

The Township will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The Township will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The Township itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Township's highest level of decision-making authority. The board of trustees is the highest level of decision-making authority for the Township that can, by resolution prior to the end of the fiscal year, commit fund balance. Once committed, the limitation imposed by the board of trustees remains in place until a similar action is taken to remove or revise the limitation.

Note 1 - Significant Accounting Policies (Continued)

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board of trustees may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The board of trustees has adopted, by ordinance, a Budget Stabilization Fund under Michigan’s Public Act 30 of 1978. The board of trustees may, with a two-thirds vote, set aside General Fund surplus, up to a maximum of 20 percent of the most recent General Fund budget (or average of the five most recent budgets, if less). An appropriation from the Budget Stabilization Fund, which also requires a two-thirds vote of the board of trustees, may only occur to correct a budget shortfall or to compensate in the case of a natural disaster. The balance at December 31, 2019 of the Budget Stabilization Fund, which is reported in the General Fund, is \$1,358,899.

Property Tax Revenue

Property taxes are levied on each December 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township’s property tax revenue was levied and collectible on December 31, 2018 and is recognized as revenue in the year ended December 31, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

The taxable valuation of the Township totaled \$1.9 billion (a portion of which is abated and a portion of which is captured by the DDA). Taxes were levied as follows:

Millage	Millage Rate
General operating	2.0100
Fire township-wide special assessment	2.0000
Police township-wide special assessment	2.6220
Library extra voted	0.6792
Open space extra voted	0.3819

Note that the Township allocates 0.3 of its general operating mills to both the Library Fund and the Sheriff Fund, leaving 1.41 mills to be allocated to the General Fund.

In addition, the Township assessed \$193.54 per parcel for garbage collection, which is reported in these financial statements as charges for services.

Pension

The Township offers a defined contribution pension plan to its employees. The Township contributes to the pension system and has no further financial obligation.

Compensated Absences (Vacation and Sick Leave)

It is the Township’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the Township will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee’s compensation are used to liquidate the obligations.

December 31, 2019

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds is charges to customers for sales or services. Operating expenses for these funds include the cost of sales or services and administrative expenses and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

Upcoming Accounting Pronouncement

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Township's financial statements for the year ending December 31, 2020 but were extended to December 31, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. The Township utilizes a separate fund for budgetary and compliance purposes. This fund is rolled into the General Fund for reporting purposes, but the separate budgetary fund allows the fund balance to be maintained separately, and any fund balance is reported in these financial statements as legally restricted for building inspections.

Cumulative surplus at January 1, 2019	\$ 1,823,677
Current year permit revenue	1,193,012
Related expenses - Direct costs	<u>947,881</u>
Current year surplus	<u>245,131</u>
Cumulative surplus December 31, 2019	<u><u>\$ 2,068,808</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated seven banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority, as listed above. The Township's deposits and investments are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$18,065,719 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township has no investment policy that would further limit its investment choices.

At year end, the Township had the following investments:

Investment	Fair Value	Weighted- average Maturity (Years)
Primary Government		
Local Government Investment Pool	\$ 33,783,528	1.32
U.S. government bonds	699,784	0.53
Bank investment pool	<u>9,138,461</u>	0.17
Total	<u>\$ 43,621,773</u>	

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of December 31, 2019, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Primary Government			
Local Government Investment Pool	\$ 33,783,528	NR	N/A
U.S. government bonds	699,784	AA+	S&P
Bank investment pool	9,138,461	AAAm	S&P
Total	<u>\$ 43,621,773</u>		

Concentration of Credit Risk

The Township places no limit on the amount it may invest in any one issuer. More than 5 percent of the Township's investments are in the Oakland County Local Government Investment Pool (the "LGIP") at 77 percent. The LGIP is not registered with the Securities and Exchange Commission (SEC) and does not issue a separate report. The LGIP is managed as a 2(a)(7) fund, with its net asset value maintained at \$1. Fair value of the position in the pool is the same as the value of the pool shares.

External Investment Pool

The Township has \$33,783,528 invested with the Oakland County Local Government Investment Pool. The LGIP reports its investments at fair value and is not registered with the SEC. For withdrawal purposes, shares of the LGIP will be redeemed at original cost. There are no limitations or restrictions on withdrawals. The LGIP adheres to the investment policy of the Township.

Fair Value Measurements

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Township's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Township has the following recurring fair value measurements as of December 31, 2019:

- The Township's investments in the Oakland County LGIP (\$33,783,528) and Michigan CLASS (\$9,138,461) are measured at net asset value (NAV).
- U.S. government bonds of \$699,784 are valued using a matrix pricing model (Level 2 inputs).

The fair value of U.S. government bonds at December 31, 2019 was determined primarily based on Level 2 inputs. The Township estimates fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

December 31, 2019

Note 3 - Deposits and Investments (Continued)

The valuation method for investments measured at net asset value per share (or its equivalent) is presented on the table below.

Investments in Entities that Calculate Net Asset Value per Share

The Township holds shares or interests in investment pools whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At December 31, 2019, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Primary Government				
Oakland County Local Government Investment Pool	\$ 33,783,528	\$ -	No restrictions	None
Michigan CLASS investment pool	9,138,461	-	No restrictions	None
Total	42,921,989	-		
Fiduciary Funds				
MERS Total Market Fund	\$ 418,456	\$ -	No restrictions	None

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

The Oakland County Local Government Investment Pool is not registered with the SEC and does not issue a separate report. The pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized costs. Accordingly, the investment is reported at fair value. The fair value of the position in the pool is not the same as the value of the pool shares, because the pool redeems shares at \$1 per share, regardless of current fair value.

Note 4 - Receivables

Receivables as of December 31, 2019 for the Township's General Fund and other major funds and the nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities			Business-type Activities		Total
	General Fund	Other Major Funds	Nonmajor Funds	Sewer Fund	Water Fund	
Receivables:						
Property taxes receivable	\$ 1,105,828	\$ 3,847,817	\$ 1,061,383	\$ -	\$ -	\$ 6,015,028
Special assessments receivable	-	961,100	6,787	247,879	129,601	1,345,367
Customer receivables	-	-	-	2,091,584	2,451,849	4,543,433
Accrued interest receivable	4,419	-	3,425	-	-	7,844
Other receivables	265,393	18,068	-	-	-	283,461
Due from other governments	581,321	-	-	237,517	13,951	832,789
Total receivables	\$ 1,956,961	\$ 4,826,985	\$ 1,071,595	\$ 2,576,980	\$ 2,595,401	\$ 13,027,922

December 31, 2019

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

Governmental Activities

	Balance January 1, 2019	Additions	Disposals and Adjustments	Balance December 31, 2019
Capital assets not being depreciated:				
Land	\$ 12,579,982	\$ 55,769	\$ -	\$ 12,635,751
Construction in progress	-	1,024,406	-	1,024,406
Subtotal	12,579,982	1,080,175	-	13,660,157
Capital assets being depreciated:				
Buildings	18,276,295	1,589,047	-	19,865,342
Improvements	5,474,921	91,977	-	5,566,898
Machinery and equipment	5,846,566	1,638,855	-	7,485,421
Books and materials	897,050	193,137	-	1,090,187
Subtotal	30,494,832	3,513,016	-	34,007,848
Accumulated depreciation:				
Buildings	4,598,655	479,820	-	5,078,475
Improvements	1,202,381	257,992	-	1,460,373
Machinery and equipment	4,283,269	537,484	-	4,820,753
Books and materials	589,300	141,325	-	730,625
Subtotal	10,673,605	1,416,621	-	12,090,226
Net capital assets being depreciated	19,821,227	2,096,395	-	21,917,622
Net governmental activities capital assets	<u>\$ 32,401,209</u>	<u>\$ 3,176,570</u>	<u>\$ -</u>	<u>\$ 35,577,779</u>

Business-type Activities

	Balance January 1, 2019	Additions	Disposals and Adjustments	Balance December 31, 2019
Capital assets not being depreciated:				
Land	\$ 498,069	\$ -	\$ -	\$ 498,069
Construction in progress	-	234,533	-	234,533
Subtotal	498,069	234,533	-	732,602
Capital assets being depreciated -				
Buildings and infrastructure	176,253,245	117,866	-	176,371,111
Accumulated depreciation - Buildings and infrastructure	67,515,127	4,441,855	-	71,956,982
Net capital assets being depreciated	108,738,118	(4,323,989)	-	104,414,129
Net business-type activities capital assets	<u>\$ 109,236,187</u>	<u>\$ (4,089,456)</u>	<u>\$ -</u>	<u>\$ 105,146,731</u>

December 31, 2019

Note 5 - Capital Assets (Continued)

Component Unit

	Balance January 1, 2019	Additions	Disposals and Adjustments	Balance December 31, 2019
Capital assets not being depreciated - Land	\$ -	\$ 2,059,867	\$ -	\$ 2,059,867

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

Governmental activities:		
General government		\$ 178,341
Public safety		555,735
Public works		9,060
Recreation and culture		673,485
Total governmental activities		<u>\$ 1,416,621</u>
Business-type activities:		
Sewer		\$ 3,324,627
Water		1,117,228
Total business-type activities		<u>\$ 4,441,855</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The balance of interfund payables is as follows:

Receivable Fund	Payable Fund	Amount
Fire Fund	Sheriff Fund	\$ 3,250
General Fund	Sewer Fund	13,682
Water Fund	Sewer Fund	13,684

The balance of amounts loaned to the discretely presented component unit, including accrued interest, is as follows:

Receivable	Payable	Amount
General Fund	Downtown Development Authority	\$ 15,515,007

The interfund balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. The loan from the Township to the DDA was in connection with the financial guarantee, as discussed in Note 8.

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Debt Sinking Fund	\$ 2,000,000
	Improvement and Building Fund	200,000
	Cemetery Fund	10,000
	Open Space Fund	600,000
	Total General Fund	<u>\$ 2,810,000</u>

The transfers from the General Fund to the other funds represent the use of unrestricted resources to finance those programs in accordance with budgetary authorizations.

December 31, 2019

Note 7 - Long-term Debt

Long-term debt activity for the year ended December 31, 2019 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Capital leases - Direct borrowings	\$ -	\$ 960,782	\$ (93,821)	\$ 866,961	\$ 96,626
Compensated absences	222,707	225,952	(212,741)	235,918	39,861
Nonexchange financial guarantee (Note 8)	19,941,751	598,253	(1,478,264)	19,061,740	-
Total governmental activities long-term debt	<u>\$ 20,164,458</u>	<u>\$ 1,784,987</u>	<u>\$ (1,784,826)</u>	<u>\$ 20,164,619</u>	<u>\$ 136,487</u>

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Other debt:					
Capital Improvement Bonds, Series 2010-A	\$ 5,795,000	\$ -	\$ (5,795,000)	\$ -	\$ -
2016 Capital Improvement Refunding Bonds	24,380,000	-	(775,000)	23,605,000	800,000
2017 Capital Improvement Refunding Bonds	9,205,000	-	(25,000)	9,180,000	25,000
2019 Capital Improvement Refunding Bonds	-	4,770,000	-	4,770,000	345,000
Total other debt outstanding	39,380,000	4,770,000	(6,595,000)	37,555,000	1,170,000
Direct borrowings and direct placements - Clean Water State Revolving Funds	884,804	-	(50,000)	834,804	50,000
Unamortized bond premiums	1,071,688	743,000	(24,060)	1,790,628	-
Total business-type activities long-term debt	<u>\$ 41,336,492</u>	<u>\$ 5,513,000</u>	<u>\$ (6,669,060)</u>	<u>\$ 40,180,432</u>	<u>\$ 1,220,000</u>

December 31, 2019

Note 7 - Long-term Debt (Continued)

Component Unit

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Other debt - Clean Water State					
Revolving Funds:					
2008 Downtown					
Development Authority					
Limited Tax General					
Refunding Obligation					
Bonds	\$ 34,145,000	\$ -	\$ (34,145,000)	\$ -	\$ -
2016 Downtown					
Development Authority					
Limited Tax General					
Obligation Bonds Series					
2016-A	21,335,000	-	(1,205,000)	20,130,000	1,295,000
2016 Downtown					
Development Authority					
Limited Tax General					
Obligation Bonds Series					
2016-B	3,455,000	-	(720,000)	2,735,000	690,000
2019 Downtown					
Development Authority					
Limited Tax General					
Obligation Bonds Series					
2019	-	34,465,000	(1,595,000)	32,870,000	1,770,000
Total other debt					
principal outstanding	58,935,000	34,465,000	(37,665,000)	55,735,000	3,755,000
Unamortized bond premiums	1,503,541	-	(84,920)	1,418,621	-
Total component unit					
long-term debt	<u>\$ 60,438,541</u>	<u>\$ 34,465,000</u>	<u>\$ (37,749,920)</u>	<u>\$ 57,153,621</u>	<u>\$ 3,755,000</u>

The Township had deferred outflows of \$874,412 related to deferred charges on bond refundings at December 31, 2019.

December 31, 2019

Note 7 - Long-term Debt (Continued)

General Obligation Bonds and Contracts

The Township issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. General obligations outstanding at December 31, 2019 are as follows:

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
Business-type Activities				
Clean water state revolving funds (direct borrowing/direct placement)	2013	2.0%	2033	\$ 834,804
Capital improvement refunding bonds (other debt)	2016	2.0 - 5.0%	2038	23,605,000
Capital improvement refunding bonds (other debt)	2017	2.0 - 4.0%	2039	9,180,000
Capital improvement refunding bonds (other debt)	2019	2.0 - 4.0%	2029	<u>4,770,000</u>
Total business-type activities				<u>\$ 38,389,804</u>
Capital Improvement Refunding Bonds (Other Debt)				
Series 2016-A LTGO bonds	2016	4.0 - 5.0%	2028	\$ 20,130,000
Series 2016-B LTGO bonds	2016	1.01 - 2.63%	2024	2,735,000
Series 2019 LTGO bonds	2019	2.63 - 3.85%	2034	<u>32,870,000</u>
Total capital improvement refunding bonds (other debt)				<u>\$ 55,735,000</u>

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated primarily by the General and Fire funds.

The Township has entered into a lease agreement as a lessee for financing the purchase of fire apparatus. This lease qualifies as a capital lease for accounting purposes; therefore, it has been recorded at the present value of the future minimum lease payments as of the inception date. The lease expires in fiscal year 2024 and bears an interest rate of 2.99 percent.

Note 7 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds, note obligations, and present value of capital lease obligations are as follows:

Years Ending December 31	Governmental Activities		
	Capital lease		
	Principal	Interest	Total
2020	\$ 96,626	\$ 25,922	\$ 122,548
2021	99,515	23,033	122,548
2022	102,491	20,058	122,549
2023	105,555	16,993	122,548
2024	462,774	13,837	476,611
2025-2029	-	-	-
2030-2034	-	-	-
2035-2039	-	-	-
Total	\$ 866,961	\$ 99,843	\$ 966,804

Years Ending December 31	Business-type Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2020	\$ 50,000	\$ 16,696	\$ 1,170,000	\$ 1,628,034	\$ 2,864,730
2021	55,000	15,696	1,265,000	1,547,256	2,882,952
2022	55,000	14,596	1,330,000	1,496,656	2,896,252
2023	55,000	13,496	1,390,000	1,443,456	2,901,952
2024	55,000	12,396	1,455,000	1,387,856	2,910,252
2025-2029	300,000	44,480	8,490,000	5,845,831	14,680,311
2030-2034	264,804	13,384	10,985,000	3,812,025	15,075,213
2035-2039	-	-	11,470,000	1,443,900	12,913,900
Total	\$ 834,804	\$ 130,744	\$ 37,555,000	\$ 18,605,014	\$ 57,125,562

Years Ending December 31	Component Unit Activities		
	Other Debt		
	Principal	Interest	Total
2020	\$ 3,755,000	\$ 2,081,340	\$ 5,836,340
2021	4,065,000	1,964,086	6,029,086
2022	4,475,000	1,820,228	6,295,228
2023	4,590,000	1,651,814	6,241,814
2024	4,600,000	1,474,019	6,074,019
2025-2029	21,505,000	4,526,237	26,031,237
2030-2034	12,745,000	1,471,350	14,216,350
2035-2039	-	-	-
Total	\$ 55,735,000	\$ 14,989,074	\$ 70,724,074

Note 7 - Long-term Debt (Continued)

Advance Bond Refunding

During the year, the Township issued \$34,465,000 in general obligation bonds with an average interest rate of 3.17 percent. The proceeds of these bonds were used to advance-refund \$34,145,000 of outstanding 2008 Taxable Adjustable Rate Downtown Development Refunding Bonds. The net proceeds of \$34,145,000 (after payment of \$320,000 in underwriting fees, legal, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the full call of the outstanding bonds, which were paid in full as of April 8, 2019. The original bonds have been removed from the DDA's statement of net position.

Current Bond Refunding

During the year, the Township issued \$4,770,000 in Capital Improvement Limited Tax General Obligation bonds with an average interest rate of 4 percent. The net proceeds of these bonds (after payment of \$147,544 in underwriting fees, legal, and other issuance costs) plus an additional \$112,022 of Township monies were used to immediately refund \$5,390,000 of outstanding 2010 Capital Improvement bonds with an average interest rate of 3.5 percent. As a result, the liability for the bonds has been removed from long-term debt. The refunding reduced total debt service payments over the next 10 years by approximately \$799,295, which represents an economic gain of approximately \$742,067.

Note 8 - Nonexchange Financial Guarantee

During the period from 2001 through 2006, the Downtown Development Authority issued debt that was used to purchase land for development and for the construction of Martin Parkway. The purpose of the program was to ease congestion on Haggerty Road, create an entrance to the Township from the south, and better control the development of that property. The intent was to resell much of the land in a controlled manner and to use the proceeds of such sales along with captured taxes (the DDA captures the taxes on the incremental growth of taxable value within the DDA) to pay off the indebtedness. All debt of the DDA has been guaranteed by the Township.

The economic downturn of 2008-2011 resulted in a decline of the DDA's captured taxes, as well as property sales that were delayed and with lower prices than anticipated. The Township reacted promptly by asking the voters to increase their taxes and by setting aside any excess funds in the Debt Sinking Fund to be used in the future to support any debt shortfalls by the DDA. To date, the Township has advanced \$14,650,000 to the DDA, plus \$865,007 of accrued interest, resulting in a receivable owed to the Township of \$15,515,007. The DDA has the ability to continue capturing taxes into the future, which can be used to repay this advance. Therefore, the Township considers this to be fully collectible.

The Township also estimates the additional amount it expects to pay in future years to support the DDA's debt. As of December 31, 2019, the Township has recorded an estimated liability for this financial guarantee of \$19,061,740.

December 31, 2019

Note 9 - Fund Balance Constraints

The detail of the various components of fund balance is as follows:

	General Fund	Fire Fund	Sheriff Fund	Improvement and Building	Debt Sinking Fund	Nonmajor Funds	Total
Nonspendable - Prepaids	\$ 31,467	\$ 57,058	\$ -	\$ -	\$ -	\$ 13,939	\$ 102,464
Restricted:							
Police/Sheriff	-	-	1,827,541	-	-	-	1,827,541
Fire	-	3,437,014	-	-	-	-	3,437,014
Building inspections	2,068,808	-	-	-	-	-	2,068,808
Library	-	-	-	-	-	2,311,681	2,311,681
Open space acquisitions, maintenance, and improvements	-	-	-	-	-	1,638,236	1,638,236
Museum	-	-	-	-	-	173,422	173,422
Cemetery	-	-	-	-	-	305,221	305,221
SAD	-	-	-	-	-	145,553	145,553
Total restricted	2,068,808	3,437,014	1,827,541	-	-	4,574,113	11,907,476
Committed:							
Budget stabilization	1,358,899	-	-	-	-	-	1,358,899
Improvement and building	-	-	-	873,782	-	-	873,782
Total committed	1,358,899	-	-	873,782	-	-	2,232,681
Assigned:							
DDA debt support	-	-	-	-	8,017,986	-	8,017,986
Road improvements	945,086	-	-	-	-	-	945,086
Total assigned	945,086	-	-	-	8,017,986	-	8,963,072
Unassigned	13,581,966	-	-	-	-	-	13,581,966
Total fund balance	<u>\$ 17,986,226</u>	<u>\$ 3,494,072</u>	<u>\$ 1,827,541</u>	<u>\$ 873,782</u>	<u>\$ 8,017,986</u>	<u>\$ 4,588,052</u>	<u>\$ 36,787,659</u>

Note 10 - Net Position Restrictions

The detail of the various components of other restrictions in the governmental activities per the statement of net position is as follows:

Open space acquisitions, maintenance, and improvements	\$ 1,638,236
Museum	173,422
Cemetery	305,221
SAD	145,553
Total other restrictions	<u>\$ 2,262,432</u>

Note 11 - Pension Plan

Plan Description

The Charter Township of Commerce contributes to the Commerce Township Defined Contribution Plan, a defined contribution pension plan, for certain employees who meet the eligibility requirements. The benefits are administered by John Hancock.

Note 11 - Pension Plan (Continued)

Benefits Provided

Benefit terms, including contribution requirements, for the Commerce Township Defined Contribution Plan are established and may be amended by the board of trustees. For each employee in the pension plan, the Township is required to contribute 13 percent of each employee's base salary to an individual employee account. Employees are not permitted to make contributions to the pension plan. Employees become vested in township contributions and earnings after completion of 48 months of creditable service with the Township. Nonvested township contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the plan's administrative expenses.

Pension Expense

During the year ended December 31, 2019, expense was approximately \$420,000. This did not include any forfeitures; at year end, there was no liability to the pension plan.

Note 12 - Other Postemployment Benefits

The Township offers postemployment health insurance benefits to its employees. For eligible retirees, the Township will pay 25 to 100 percent (depending on employee group) of the retiree's healthcare premium from his or her retirement until age 65. After age 65, only firefighters are eligible for a monthly stipend. During the year ended December 31, 2019, there were no retirees eligible for health insurance benefits, and \$3,545 was paid in stipends to eligible firefighters. There are 51 active employees who may become eligible for OPEB. Because the potential liability is not material, the Township has elected not to account for this plan in accordance with GASB Statement No. 75. The Township has established a trust with the Municipal Employees' Retirement System of Michigan. The trust has a balance of \$418,456 at December 31, 2019. The plan does not issue a separate financial report and is included in the Township's basic financial statements in fiduciary funds statements.

Note 13 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for all claims other than workers' compensation. The Township participates in the MML Workers' Compensation Fund, a shared-risk program for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 14 - Change in Accounting Principle

During the current year, the Township adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The Trust and Agency Fund was previously reported as a fiduciary activity but no longer meets the definition of such; therefore, this activity is now reported within the General Fund. Further, the MERS Retirement Health Funding Vehicle Fund now meets the definition of a fiduciary activity and will be reported as such in the township financials.

As a result of implementing this statement, the beginning net position of fiduciary funds has been increased by \$381,748.

December 31, 2019

Note 15 - Subsequent Events

In early March 2020, the United States and the State of Michigan declared a state of emergency due to the global coronavirus disease (COVID-19) pandemic. COVID-19 will have a financial impact on subsequent periods of the Charter Township of Commerce. The impact on the Township's future costs, revenue, and any recovery from emergency funding, either federal or state, cannot be estimated at this time.

Required Supplemental Information

Charter Township of Commerce

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,747,325	\$ 2,788,052	\$ 2,788,190	\$ 138
Intergovernmental:				
Federal grants	75,662	10,000	-	(10,000)
State sources:				
State-shared revenue	3,165,495	3,165,495	3,287,958	122,463
Local Community Stabilization Authority	37,800	28,372	50,748	22,376
Other state aid	12,100	10,460	10,460	-
Local grants and contributions	19,832	19,832	19,060	(772)
Charges for services	281,000	253,232	255,769	2,537
Fines and forfeitures	80,000	120,000	131,031	11,031
Licenses and permits	520,000	562,800	719,453	156,653
Interest and rentals	420,000	610,000	678,312	68,312
Other revenue	54,000	107,219	137,116	29,897
Total revenue	7,413,214	7,675,462	8,078,097	402,635
Expenditures				
Current services:				
General government	2,469,584	2,587,242	2,440,625	146,617
Public safety	47,600	71,156	66,992	4,164
Public works	170,000	65,000	40,834	24,166
CDBG	75,662	73,222	2,440	70,782
Community and economic development	214,092	212,633	207,383	5,250
Recreation and culture	796,083	789,961	659,699	130,262
Capital outlay	-	1,728,000	1,650,249	77,751
Total expenditures	3,773,021	5,527,214	5,068,222	458,992
Excess of Revenue Over Expenditures	3,640,193	2,148,248	3,009,875	861,627
Other Financing (Uses) Sources				
Transfers out	(2,910,000)	(2,910,000)	(2,910,000)	-
Sale of capital assets	-	1,000	1,000	-
Total other financing uses	(2,910,000)	(2,909,000)	(2,909,000)	-
Net Change in Fund Balance	730,193	(760,752)	100,875	861,627
Fund Balance - Beginning of year	13,510,695	13,510,695	13,510,695	-
Fund Balance - End of year	\$ 14,240,888	\$ 12,749,943	\$ 13,611,570	\$ 861,627

Charter Township of Commerce

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds
 Fire Fund

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 3,883,792	\$ 3,888,556	\$ 3,888,686	\$ 130
Charges for services	1,000	1,200	1,200	-
Fines and forfeitures	100	-	-	-
Interest and rentals	28,000	65,000	81,507	16,507
Other revenue	44,500	52,100	58,791	6,691
Total revenue	3,957,392	4,006,856	4,030,184	23,328
Expenditures				
Public safety	3,713,075	3,625,047	3,610,378	14,669
Capital outlay	244,000	700,000	1,639,078	(939,078)
Total expenditures	3,957,075	4,325,047	5,249,456	(924,409)
Excess of Revenue Over (Under)				
Expenditures	317	(318,191)	(1,219,272)	(901,081)
Other Financing Sources - Capital leases	-	-	960,782	960,782
Net Change in Fund Balance	317	(318,191)	(258,490)	59,701
Fund Balance - Beginning of year	3,752,562	3,752,562	3,752,562	-
Fund Balance - End of year	<u>\$ 3,752,879</u>	<u>\$ 3,434,371</u>	<u>\$ 3,494,072</u>	<u>\$ 59,701</u>

Charter Township of Commerce

Required Supplemental Information
Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)
Sheriff Fund

Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Property taxes	\$ 5,211,370	\$ 5,223,129	\$ 5,223,261	\$ 132
Intergovernmental	-	38,858	39,050	192
Interest and rentals	15,000	38,000	46,152	8,152
Other revenue	<u>276,018</u>	<u>286,381</u>	<u>317,420</u>	<u>31,039</u>
Total revenue	5,502,388	5,586,368	5,625,883	39,515
Expenditures - Public safety	<u>5,501,847</u>	<u>5,501,847</u>	<u>5,213,306</u>	<u>288,541</u>
Net Change in Fund Balance	541	84,521	412,577	328,056
Fund Balance - Beginning of year	<u>1,414,964</u>	<u>1,414,964</u>	<u>1,414,964</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 1,415,505</u>	<u>\$ 1,499,485</u>	<u>\$ 1,827,541</u>	<u>\$ 328,056</u>

Charter Township of Commerce

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)
 Improvement and Building

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Charges for services	\$ 2,823,680	\$ 2,823,680	\$ 2,707,209	\$ (116,471)
Interest and rentals	62,090	62,090	66,062	3,972
Other revenue	-	-	30,000	30,000
Total revenue	2,885,770	2,885,770	2,803,271	(82,499)
Expenditures - Public works	2,829,223	3,318,612	3,135,118	183,494
Excess of Revenue Over (Under) Expenditures	56,547	(432,842)	(331,847)	100,995
Other Financing Sources - Transfers in	200,000	200,000	200,000	-
Net Change in Fund Balance	256,547	(232,842)	(131,847)	100,995
Fund Balance - Beginning of year	1,005,629	1,005,629	1,005,629	-
Fund Balance - End of year	<u><u>\$ 1,262,176</u></u>	<u><u>\$ 772,787</u></u>	<u><u>\$ 873,782</u></u>	<u><u>\$ 100,995</u></u>

Charter Township of Commerce

Note to Required Supplemental Information

December 31, 2019

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, except that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level (i.e., the level at which expenditures may not legally exceed appropriations).

For budgetary purposes, the Township maintains separate general ledgers/budgets for certain funds that are reported within the General Fund in the basic financial statements. As a result, the General Fund, as budgeted, excludes those separate activities. A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Fund Balance</u>	<u>Other Financing Uses</u>
Amounts per operating statement	\$ 9,318,550	\$ 6,045,646	\$ 17,986,226	\$ 2,809,000
Building and Inspection Fund	(1,193,012)	(947,881)	(2,071,569)	-
Road Improvements Fund	(10,128)	(24,195)	(945,086)	100,000
Retiree Health Care Plan	(7,533)	(5,348)	898	-
Budget Stabilization Fund	(29,780)	-	(1,358,899)	-
	<u>\$ 8,078,097</u>	<u>\$ 5,068,222</u>	<u>\$ 13,611,570</u>	<u>\$ 2,909,000</u>

The significant expenditure budget variance in the Fire Fund is related to capital outlay on a new capital lease.

Other Supplemental Information

Charter Township of Commerce

Other Supplemental Information Combining Balance Sheet General Fund

December 31, 2019

	General Fund, as Budgeted	Building and Inspection	Road Improvements Fund	Retiree Health Care Plan	Budget Stabilization Fund	Trust and Agency Fund	Total
Assets							
Cash and investments	\$ 14,910,500	\$ 2,173,223	\$ 964,862	\$ (772)	\$ 1,358,899	\$ 1,223,745	\$ 20,630,457
Receivables:							
Property taxes receivable	1,105,828	-	-	-	-	-	1,105,828
Accrued interest receivable	-	-	4,419	-	-	-	4,419
Other receivables	265,393	-	-	-	-	-	265,393
Due from other governments	581,321	-	-	-	-	-	581,321
Due from other funds	10,532	3,150	-	-	-	-	13,682
Prepaid expenses	28,706	2,761	-	-	-	-	31,467
Long-term advance to component unit (including interest)	15,515,007	-	-	-	-	-	15,515,007
Total assets	<u>\$ 32,417,287</u>	<u>\$ 2,179,134</u>	<u>\$ 969,281</u>	<u>\$ (772)</u>	<u>\$ 1,358,899</u>	<u>\$ 1,223,745</u>	<u>\$ 38,147,574</u>
Liabilities							
Accounts payable	\$ 89,524	\$ 105,929	\$ 24,195	\$ 126	\$ -	\$ -	\$ 219,774
Refundable deposits	214,644	-	-	-	-	1,223,745	1,438,389
Accrued liabilities and other	62,281	1,636	-	-	-	-	63,917
Total liabilities	366,449	107,565	24,195	126	-	1,223,745	1,722,080
Deferred Inflows of Resources - Property taxes levied for the following year							
	18,439,268	-	-	-	-	-	18,439,268
Total liabilities and deferred inflows of resources	18,805,717	107,565	24,195	126	-	1,223,745	20,161,348
Fund Balances							
Nonspendable	28,706	2,761	-	-	-	-	31,467
Restricted	-	2,068,808	-	-	-	-	2,068,808
Committed	-	-	-	-	1,358,899	-	1,358,899
Assigned	-	-	945,086	-	-	-	945,086
Unassigned	13,582,864	-	-	(898)	-	-	13,581,966
Total fund balances	13,611,570	2,071,569	945,086	(898)	1,358,899	-	17,986,226
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 32,417,287</u>	<u>\$ 2,179,134</u>	<u>\$ 969,281</u>	<u>\$ (772)</u>	<u>\$ 1,358,899</u>	<u>\$ 1,223,745</u>	<u>\$ 38,147,574</u>

Charter Township of Commerce

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balance General Fund

Year Ended December 31, 2019

	General Fund, as Budgeted	Building and Inspection	Road Improvements Fund	Retiree Health Care Plan	Budget Stabilization Fund	Trust and Agency Fund	Total
Revenue							
Property taxes and voter-approved assessments	\$ 2,788,190	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,788,190
Intergovernmental:							
State sources:							
State-shared revenue	3,287,958	-	-	-	-	-	3,287,958
Local							
Community Stabilization Authority	50,748	-	-	-	-	-	50,748
Other state aid	10,460	-	-	-	-	-	10,460
Local grants and contributions	19,060	-	-	-	-	-	19,060
Charges for services	255,769	1,193,012	-	-	-	-	1,448,781
Fines and forfeitures	131,031	-	-	-	-	-	131,031
Licenses and permits	719,453	-	-	-	-	-	719,453
Interest and rentals	678,312	-	10,060	-	29,780	-	718,152
Other revenue	137,116	-	68	7,533	-	-	144,717
Total revenue	8,078,097	1,193,012	10,128	7,533	29,780	-	9,318,550
Expenditures							
Current services:							
General							
government	2,440,625	-	-	5,348	-	-	2,445,973
Public safety	66,992	947,881	-	-	-	-	1,014,873
Public works	40,834	-	24,195	-	-	-	65,029
CDBG	2,440	-	-	-	-	-	2,440
Community and economic development	207,383	-	-	-	-	-	207,383
Recreation and culture	659,699	-	-	-	-	-	659,699
Capital outlay	1,650,249	-	-	-	-	-	1,650,249
Total expenditures	5,068,222	947,881	24,195	5,348	-	-	6,045,646
Excess of Revenue Over (Under) Expenditures	3,009,875	245,131	(14,067)	2,185	29,780	-	3,272,904
Other Financing (Uses) Sources							
Transfers out	(2,910,000)	-	100,000	-	-	-	(2,810,000)
Sale of capital assets	1,000	-	-	-	-	-	1,000
Total other financing (uses) sources	(2,909,000)	-	100,000	-	-	-	(2,809,000)
Net Change in Fund Balances	100,875	245,131	85,933	2,185	29,780	-	463,904
Fund Balances - Beginning of year	13,510,695	1,826,438	859,153	(3,083)	1,329,119	-	17,522,322
Fund Balances - End of year	\$ 13,611,570	\$ 2,071,569	\$ 945,086	\$ (898)	\$ 1,358,899	\$ -	\$ 17,986,226

Charter Township of Commerce

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds**

December 31, 2019

	Special Revenue Funds				Debt Service Fund	Total
	Open Space Fund	Museum Fund	Cemetery Fund	Library Fund	Special Assessment Debt Fund	
Assets						
Cash and investments	\$ 2,084,528	\$ 172,317	\$ 303,170	\$ 3,520,474	\$ 138,736	\$ 6,219,225
Receivables	297,298	1,105	2,320	764,085	6,787	1,071,595
Prepaid expenses	-	-	-	13,939	-	13,939
Total assets	\$ 2,381,826	\$ 173,422	\$ 305,490	\$ 4,298,498	\$ 145,523	\$ 7,304,759
Liabilities						
Accounts payable	\$ -	\$ -	\$ 269	\$ 37,438	\$ -	\$ 37,707
Accrued liabilities and other	-	-	-	24,332	-	24,332
Total liabilities	-	-	269	61,770	-	62,039
Deferred Inflows of Resources - Taxes levied for the following year						
	743,590	-	-	1,911,108	(30)	2,654,668
Total liabilities and deferred inflows of resources	743,590	-	269	1,972,878	(30)	2,716,707
Fund Balances						
Nonspendable	-	-	-	13,939	-	13,939
Restricted	1,638,236	173,422	305,221	2,311,681	145,553	4,574,113
Total fund balances	1,638,236	173,422	305,221	2,325,620	145,553	4,588,052
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,381,826	\$ 173,422	\$ 305,490	\$ 4,298,498	\$ 145,523	\$ 7,304,759

Charter Township of Commerce

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

Year Ended December 31, 2019

	Special Revenue Funds				Debt Service Fund	Total
	Open Space Fund	Museum Fund	Cemetery Fund	Library Fund	Special Assessment Debt Fund	
Revenue						
Property taxes and voter-approved assessments	\$ 712,361	\$ -	\$ -	\$ 1,826,577	\$ -	\$ 2,538,938
Special assessments	-	-	-	-	39,191	39,191
Intergovernmental	1,487	310	-	3,808	-	5,605
Charges for services	-	-	11,580	3,273	-	14,853
Fines and forfeitures	-	-	-	24,458	-	24,458
Licenses and permits	-	-	-	118,044	-	118,044
Interest and rentals	25,291	2,115	4,728	46,459	1,092	79,685
Other revenue	-	-	-	9,680	-	9,680
Total revenue	739,139	2,425	16,308	2,032,299	40,283	2,830,454
Expenditures						
Current services:						
Public works	-	-	31,496	-	-	31,496
Recreation and culture	7,786	-	-	1,472,205	-	1,479,991
Capital outlay	398,213	150	-	15,561	-	413,924
Total expenditures	405,999	150	31,496	1,487,766	-	1,925,411
Excess of Revenue Over (Under) Expenditures	333,140	2,275	(15,188)	544,533	40,283	905,043
Other Financing Sources -						
Transfers in	600,000	-	10,000	-	-	610,000
Net Change in Fund Balances	933,140	2,275	(5,188)	544,533	40,283	1,515,043
Fund Balances - Beginning of year	705,096	171,147	310,409	1,781,087	105,270	3,073,009
Fund Balances - End of year	\$ 1,638,236	\$ 173,422	\$ 305,221	\$ 2,325,620	\$ 145,553	\$ 4,588,052