
Charter Township of Commerce

Oakland County, Michigan

**Financial Report
with Supplemental Information
December 31, 2021**

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Commerce

Opinions

We have audited the financial statements of the governmental activities, business-type activities, the discretely-presented 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, 2021 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Commerce as of December 31, 2021 and the respective changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

To the Board of Trustees
Charter Township of Commerce

In performing an audit in accordance with GAAS, we:

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

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

Required Supplemental Information

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

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Commerce's basic financial statements. The 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.



June 8, 2022

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, 2021.

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 \$20 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 revenue began with the 2011 budget and was renewed by voters in November 2018. The renewed special assessment for fire protection services is in effect through 2028 with a maximum of 2.8 mills. The renewed special assessment for sheriff protection services is in effect through 2030 with a maximum of 2.9 mills. The millage charged on the 2020 tax bills to fund 2021 services was 2.4 mills for fire and 2.622 mills for sheriff.

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 and 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 \$178,715,808 at the close of the most recent fiscal year. This total net position includes \$80,613,200 related to governmental activities and \$98,102,608 related to business-type activities.

Charter Township of Commerce

Management's Discussion and Analysis (Continued)

The Township's Net Position

| | Governmental Activities | | | |
|--------------------------------------|-------------------------|----------------------|----------------------|----------------|
| | 2020 | 2021 | Change | Percent Change |
| Assets | | | | |
| Current and other assets: | | | | |
| Cash and investments | \$ 55,261,552 | \$ 57,974,040 | \$ 2,712,488 | 4.9 |
| Receivables | 10,383,886 | 10,845,169 | 461,283 | 4.4 |
| Other assets | 17,030,576 | 21,600,518 | 4,569,942 | 26.8 |
| Capital assets | 36,816,485 | 40,675,178 | 3,858,693 | 10.5 |
| Total assets | 119,492,499 | 131,094,905 | 11,602,406 | 9.7 |
| Liabilities | | | | |
| Current liabilities | 3,884,784 | 7,514,453 | 3,629,669 | 93.4 |
| Noncurrent liabilities | 29,823,816 | 21,665,968 | (8,157,848) | (27.4) |
| Total liabilities | 33,708,600 | 29,180,421 | (4,528,179) | (13.4) |
| Deferred Inflows of Resources | 20,272,636 | 21,301,284 | 1,028,648 | 5.1 |
| Net Position | | | | |
| Net investment in capital assets | 35,315,150 | 39,328,358 | 4,013,208 | 11.4 |
| Restricted | 13,500,093 | 10,878,390 | (2,621,703) | (19.4) |
| Unrestricted | 16,696,020 | 30,406,452 | 13,710,432 | 82.1 |
| Total net position | <u>\$ 65,511,263</u> | <u>\$ 80,613,200</u> | <u>\$ 15,101,937</u> | 23.1 |

| | Business-type Activities | | | |
|---------------------------------------|--------------------------|----------------------|-------------------|----------------|
| | 2020 | 2021 | Change | Percent Change |
| Assets | | | | |
| Current and other assets: | | | | |
| Cash and investments | \$ 29,564,782 | \$ 30,906,270 | \$ 1,341,488 | 4.5 |
| Receivables | 6,418,651 | 4,815,729 | (1,602,922) | (25.0) |
| Other assets | 66,110 | 55,861 | (10,249) | (15.5) |
| Capital assets | 102,105,322 | 100,809,248 | (1,296,074) | (1.3) |
| Total assets | 138,154,865 | 136,587,108 | (1,567,757) | (1.1) |
| Deferred Outflows of Resources | 826,153 | 777,894 | (48,259) | (5.8) |
| Liabilities | | | | |
| Current liabilities | 2,228,574 | 1,788,813 | (439,761) | (19.7) |
| Noncurrent liabilities | 38,881,887 | 37,473,581 | (1,408,306) | (3.6) |
| Total liabilities | 41,110,461 | 39,262,394 | (1,848,067) | (4.5) |
| Net Position | | | | |
| Net investment in capital assets | 64,049,588 | 64,113,561 | 63,973 | 0.1 |
| Unrestricted | 33,820,969 | 33,989,047 | 168,078 | 0.5 |
| Total net position | <u>\$ 97,870,557</u> | <u>\$ 98,102,608</u> | <u>\$ 232,051</u> | 0.2 |

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 | | | |
|------------------------------------|-------------------------|----------------------|----------------------|----------------|
| | 2020 | 2021 | Change | Percent Change |
| Revenue | | | | |
| Program revenue: | | | | |
| Charges for services | \$ 4,827,672 | \$ 4,941,351 | \$ 113,679 | 2.4 |
| Operating grants | 1,950,336 | 782,780 | (1,167,556) | (59.9) |
| Capital grants | 1,012,275 | 459,519 | (552,756) | (54.6) |
| General revenue: | | | | |
| Taxes | 15,246,494 | 16,708,679 | 1,462,185 | 9.6 |
| Intergovernmental | 3,323,301 | 4,149,331 | 826,030 | 24.9 |
| Investment earnings | 953,902 | 338,308 | (615,594) | (64.5) |
| Other revenue: | | | | |
| Cable franchise fees | 629,150 | 629,149 | (1) | - |
| Sale of capital assets | 55,042 | 11,400 | (43,642) | (79.3) |
| Changes in financial estimates | - | 8,048,512 | 8,048,512 | - |
| Other miscellaneous revenue | 598,128 | 644,731 | 46,603 | 7.8 |
| Total revenue | 28,596,300 | 36,713,760 | 8,117,460 | 28.4 |
| Expenses | | | | |
| General government | 2,488,878 | 2,346,513 | (142,365) | (5.7) |
| Public safety | 12,125,943 | 11,840,175 | (285,768) | (2.4) |
| Public works | 4,244,819 | 3,753,101 | (491,718) | (11.6) |
| Community and economic development | 9,318,431 | 282,399 | (9,036,032) | (97.0) |
| Recreation and culture | 2,591,309 | 3,354,663 | 763,354 | 29.5 |
| Interest | 31,483 | 34,972 | 3,489 | 11.1 |
| Total expenses | 30,800,863 | 21,611,823 | (9,189,040) | (29.8) |
| Change in Net Position | \$ (2,204,563) | \$ 15,101,937 | \$ 17,306,500 | (785.0) |

| | Business-type Activities | | | |
|-------------------------------|--------------------------|-------------------|-----------------------|----------------|
| | 2020 | 2021 | Change | Percent Change |
| Revenue | | | | |
| Program revenue: | | | | |
| Charges for services | \$ 17,248,612 | \$ 15,992,418 | \$ (1,256,194) | (7.3) |
| Capital contributions | 1,448,273 | 1,966,688 | 518,415 | 35.8 |
| General revenue | 394,069 | 175,447 | (218,622) | (55.5) |
| Total revenue | 19,090,954 | 18,134,553 | (956,401) | (5.0) |
| Expenses | | | | |
| Sewer Fund | 10,466,416 | 11,500,238 | 1,033,822 | 9.9 |
| Water Fund | 6,607,098 | 6,402,264 | (204,834) | (3.1) |
| Total expenses | 17,073,514 | 17,902,502 | 828,988 | 4.9 |
| Change in Net Position | \$ 2,017,440 | \$ 232,051 | \$ (1,785,389) | (88.5) |

In 2021, total primary government revenue exceeded expenses by approximately \$15.3 million. Governmental activities net position increased by \$15.1 million, and business-type activities net position increased by \$232,000. For governmental activities, assets increased by \$11.6 million, including significant increases to cash and investments, capital assets, and advance to the DDA. During 2021, the Township advanced an additional \$4.5 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, including interest.

Charter Township of Commerce

Management's Discussion and Analysis (Continued)

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 11, 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 2021 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.

General Fund Budgetary Highlights

During 2021, the General Fund budget did not require significant amendments, other than to increase anticipated other revenue. During the year, actual revenue was \$1,412,696 less than budgetary estimates largely due to other revenue falling short of expectations. Expenditures were less than budget by \$508,924. The fund balance, on a budgetary basis, increased by \$2,907,693.

Capital Assets and Debt Administration

At the end of 2021, the Township had \$141 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 2021, the governmental activities added \$3.9 million of capital assets, and the business-type activities removed \$1.3 million.

Business-type activities debt is \$37.5 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 currently has \$49.1 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 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 some 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.

In recent 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.

In 2020, the Township issued \$731,000 of special assessment bonds for the Peninsular Park subdivision paving project. More detailed information concerning the Township's capital assets and long-term debt can be found in Notes 5 and 7 to the financial statements.

Charter Township of Commerce

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

Overall real property taxable value has continued to increase. This is due largely to significant building and development within the Township, as well as significant resale activity resulting in uncapping of lower taxable values. Accordingly, we expect an increase in our special assessment revenue for fire and police services and DDA capture.

The 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.

Looking to the future, and keen to the challenges of balancing potential development with the desire for a country-like atmosphere, the Township has been researching traffic flows and the impact any new or expanding development might have in already congested areas. This includes the development of a downtown area along the M-5 corridor, which is moving forward. The developer is hopeful to have more visible progress made by the end of 2023.

Additionally, the Township will be adding a process to our award-winning Waste Water Treatment Plant (WWTP) that will greatly reduce the environmental footprint generated by such facilities. The Township currently hauls away the sludge from the WWTP to dump in landfills. The new Lystek system will, through a sophisticated process, transform the sludge into an injectable Class A homogenous biosolid liquid fertilizer. This will significantly reduce the amount of waste put into the landfill, the costs associated with hauling the waste, and the carbon emissions caused by hauling. This system is expected to be operational by late 2023.

Finally, the Township contracted with the Michigan Department of Natural Resources to acquire the small boat ramp site and parking lot on Union Lake, just south of Cooley Lake Road. The Township plans, for now, to keep this as a pocket park for kayakers and small boats, until such time as it may be useful in other ways.

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, 2021 tax billing had increased approximately 4 percent compared to the prior year.

The Township received American Rescue Plan Act (ARPA) funds in 2021, which will be spent in 2022. These funds could be used to expand water supply lines or sewer infrastructure with respect to our master plan, and there are other possibilities as well. Guidance on specific areas where the funds can be spent is being tracked and accumulated, with committees convening to best allocate whatever funding the Township does receive.

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, 2021

| | Primary Government | | | Component Unit |
|--|-------------------------|--------------------------|-----------------------|------------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and investments (Note 3) | \$ 57,974,040 | \$ 30,906,270 | \$ 88,880,310 | \$ 1,421,398 |
| Receivables (Note 4) | 10,845,169 | 4,815,729 | 15,660,898 | 477,456 |
| Prepaid expenses | 207,911 | 55,861 | 263,772 | 5,345 |
| Restricted cash (Note 3) | 40,574 | - | 40,574 | - |
| Land held for resale | - | - | - | 8,485,820 |
| Capital assets: (Note 5) | | | | |
| Assets not subject to depreciation | 18,810,701 | 1,349,476 | 20,160,177 | 2,059,867 |
| Assets subject to depreciation - Net | 21,864,477 | 99,459,772 | 121,324,249 | - |
| Long-term advance to component unit (including interest) (Notes 6 and 8) | 21,352,033 | - | 21,352,033 | - |
| Total assets | 131,094,905 | 136,587,108 | 267,682,013 | 12,449,886 |
| Deferred Outflows of Resources - Deferred charge on bond refunding | - | 777,894 | 777,894 | - |
| Liabilities | | | | |
| Accounts payable | 3,918,890 | 1,597,580 | 5,516,470 | 3,972 |
| Due to other governmental units | - | 3,362 | 3,362 | - |
| Due to primary government (Notes 6 and 8) | - | - | - | 21,352,033 |
| Refundable deposits, bonds, etc. | 1,448,824 | - | 1,448,824 | - |
| Accrued liabilities and other | 90,944 | 128,370 | 219,314 | 467,714 |
| Unearned revenue | 2,055,795 | 59,501 | 2,115,296 | - |
| Noncurrent liabilities: (Note 7) | | | | |
| Due within one year | 226,162 | 1,385,000 | 1,611,162 | 4,475,000 |
| Due in more than one year | 21,439,806 | 36,088,581 | 57,528,387 | 44,656,010 |
| Total liabilities | 29,180,421 | 39,262,394 | 68,442,815 | 70,954,729 |
| Deferred Inflows of Resources - Taxes and assessments levied for the following year | 21,301,284 | - | 21,301,284 | 703,780 |
| Net Position (Deficit) | | | | |
| Net investment in capital assets | 39,328,358 | 64,113,561 | 103,441,919 | - |
| Restricted: | | | | |
| Sheriff | 2,348,110 | - | 2,348,110 | - |
| Fire | 164,445 | - | 164,445 | - |
| Building inspections (Note 2) | 1,998,629 | - | 1,998,629 | - |
| Library | 3,424,544 | - | 3,424,544 | - |
| Other restrictions (Note 10) | 2,942,662 | - | 2,942,662 | - |
| Unrestricted | 30,406,452 | 33,989,047 | 64,395,499 | (59,208,623) |
| Total net position (deficit) | <u>\$ 80,613,200</u> | <u>\$ 98,102,608</u> | <u>\$ 178,715,808</u> | <u>\$ (59,208,623)</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 | \$ 2,346,513 | \$ 1,868,699 | \$ 9,020 | \$ 206,839 |
| Public safety | 11,840,175 | - | 552,571 | - |
| Public works | 3,753,101 | 3,053,083 | 98,046 | 200,535 |
| Community and economic development | 282,399 | - | 79,384 | - |
| Recreation and culture | 3,354,663 | 19,569 | 43,759 | 52,145 |
| Interest on long-term debt | 34,972 | - | - | - |
| Total governmental activities | <u>21,611,823</u> | <u>4,941,351</u> | <u>782,780</u> | <u>459,519</u> |
| Business-type activities: | | | | |
| Sewer Fund | 11,500,238 | 8,767,997 | - | 1,611,610 |
| Water Fund | 6,402,264 | 7,224,421 | - | 355,078 |
| Total business-type activities | <u>17,902,502</u> | <u>15,992,418</u> | <u>-</u> | <u>1,966,688</u> |
| Total primary government | <u>\$ 39,514,325</u> | <u>\$ 20,933,769</u> | <u>\$ 782,780</u> | <u>\$ 2,426,207</u> |
| Component units - DDA | <u>\$ 2,231,712</u> | <u>\$ -</u> | <u>\$ 50,000</u> | <u>\$ -</u> |

General revenue:

- Property taxes and voter-approved assessments
- 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, 2021

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|-----------------------------|-----------------------|------------------------|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Unit |
| \$ (261,955) | \$ - | \$ (261,955) | \$ - |
| (11,287,604) | - | (11,287,604) | - |
| (401,437) | - | (401,437) | - |
| (203,015) | - | (203,015) | - |
| (3,239,190) | - | (3,239,190) | - |
| (34,972) | - | (34,972) | - |
| (15,428,173) | - | (15,428,173) | - |
| - | (1,120,631) | (1,120,631) | - |
| - | 1,177,235 | 1,177,235 | - |
| - | 56,604 | 56,604 | - |
| (15,428,173) | 56,604 | (15,371,569) | - |
| - | - | - | (2,181,712) |
| 16,708,679 | - | 16,708,679 | 1,801,340 |
| 4,149,331 | - | 4,149,331 | 136,802 |
| 338,308 | 175,447 | 513,755 | 61 |
| 629,149 | - | 629,149 | - |
| 11,400 | - | 11,400 | 89,453 |
| 8,048,512 | - | 8,048,512 | - |
| 644,731 | - | 644,731 | 6,590 |
| 30,530,110 | 175,447 | 30,705,557 | 2,034,246 |
| 15,101,937 | 232,051 | 15,333,988 | (147,466) |
| 65,511,263 | 97,870,557 | 163,381,820 | (59,061,157) |
| \$ 80,613,200 | \$ 98,102,608 | \$ 178,715,808 | \$ (59,208,623) |

Charter Township of Commerce

Governmental Funds Balance Sheet

December 31, 2021

| | General Fund | Fire Fund | Sheriff Fund | Improvement and Building Fund | Debt Sinking Fund | Nonmajor Funds | Total Governmental Funds |
|--|----------------------|---------------------|----------------------|-------------------------------------|----------------------|---------------------|--------------------------------|
| Assets | | | | | | | |
| Cash and investments (Note 3) | \$ 26,044,226 | \$ 6,130,846 | \$ 7,573,171 | \$ 3,500,400 | \$ 6,698,798 | \$ 8,026,599 | \$ 57,974,040 |
| Receivables (Note 4) | 2,548,357 | 2,791,624 | 2,750,893 | 1,156,860 | - | 1,597,435 | 10,845,169 |
| Advances to other funds (Note 6) | 1,500,000 | - | - | - | - | - | 1,500,000 |
| Prepaid expenses | 149,329 | 50,349 | - | - | - | 8,233 | 207,911 |
| Restricted cash | - | - | - | - | - | 40,574 | 40,574 |
| Long-term advance to component unit (including interest) (Note 6) | 21,352,033 | - | - | - | - | - | 21,352,033 |
| Total assets | \$ 51,593,945 | \$ 8,972,819 | \$ 10,324,064 | \$ 4,657,260 | \$ 6,698,798 | \$ 9,672,841 | \$ 91,919,727 |
| Liabilities | | | | | | | |
| Accounts payable | \$ 175,694 | \$ 1,440,452 | \$ 1,964,229 | \$ 241,813 | \$ - | \$ 96,702 | \$ 3,918,890 |
| Advances from other funds (Note 6) | - | 1,500,000 | - | - | - | - | 1,500,000 |
| Refundable deposits, bonds, etc. | 1,448,824 | - | - | - | - | - | 1,448,824 |
| Accrued liabilities and other | 28,903 | 45,382 | - | - | - | 16,659 | 90,944 |
| Unearned revenue | 2,055,795 | - | - | - | - | - | 2,055,795 |
| Total liabilities | 3,709,216 | 2,985,834 | 1,964,229 | 241,813 | - | 113,361 | 9,014,453 |
| Deferred Inflows of Resources | | | | | | | |
| Unavailable revenue | 21,638,532 | 220,495 | - | - | - | - | 21,859,027 |
| Property taxes levied for the following year | 3,190,631 | 5,822,540 | 6,011,725 | 3,084,114 | - | 3,192,274 | 21,301,284 |
| Total deferred inflows of resources | 24,829,163 | 6,043,035 | 6,011,725 | 3,084,114 | - | 3,192,274 | 43,160,311 |
| Total liabilities and deferred inflows of resources | 28,538,379 | 9,028,869 | 7,975,954 | 3,325,927 | - | 3,305,635 | 52,174,764 |
| Fund Balances (Note 9) | | | | | | | |
| Nonspendable | 149,329 | 50,349 | - | - | - | 8,233 | 207,911 |
| Restricted | 1,997,306 | - | 2,348,110 | - | - | 6,358,973 | 10,704,389 |
| Committed | 1,315,272 | - | - | 1,331,333 | - | - | 2,646,605 |
| Assigned | 1,076,892 | - | - | - | 6,698,798 | - | 7,775,690 |
| Unassigned | 18,516,767 | (106,399) | - | - | - | - | 18,410,368 |
| Total fund balances | 23,055,566 | (56,050) | 2,348,110 | 1,331,333 | 6,698,798 | 6,367,206 | 39,744,963 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 51,593,945 | \$ 8,972,819 | \$ 10,324,064 | \$ 4,657,260 | \$ 6,698,798 | \$ 9,672,841 | \$ 91,919,727 |

Charter Township of Commerce

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

December 31, 2021

| | |
|---|-----------------------------|
| Fund Balances Reported in Governmental Funds | \$ 39,744,963 |
| 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 | 40,675,178 |
| 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 | 21,859,027 |
| Long-term debt is not due and payable in the current period and is not reported in the funds | (1,346,820) |
| Nonexchange financial guarantee is not due and payable in the current period and is not reported in the funds | (20,013,094) |
| 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 | (306,054) |
| Net Position of Governmental Activities | <u>\$ 80,613,200</u> |

Charter Township of Commerce

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

Year Ended December 31, 2021

| | General Fund | Fire Fund | Sheriff Fund | Improvement and Building Fund | Debt Sinking Fund | Nonmajor Funds | Total Governmental Funds |
|--|----------------------|--------------------|---------------------|-------------------------------------|----------------------|---------------------|--------------------------------|
| Revenue | | | | | | | |
| Property taxes and voter-approved assessments | \$ 3,033,074 | \$ 5,158,505 | \$ 5,769,655 | \$ - | \$ - | \$ 2,747,445 | \$ 16,708,679 |
| Special assessments | - | - | - | - | - | 200,535 | 200,535 |
| Intergovernmental | 4,042,679 | 345,564 | 33,782 | - | - | 73,290 | 4,495,315 |
| Charges for services | 260,348 | - | - | 3,007,653 | - | 20,351 | 3,288,352 |
| Fines and forfeitures | 75,643 | - | - | - | - | 16,628 | 92,271 |
| Licenses and permits | 1,844,054 | - | - | - | - | 105,811 | 1,949,865 |
| Interest and rentals | 486,512 | 17,239 | 17,556 | 28,944 | 53,071 | 39,344 | 642,666 |
| Other revenue | 88,562 | 122,423 | 282,255 | 48,000 | - | 130,040 | 671,280 |
| Total revenue | 9,830,872 | 5,643,731 | 6,103,248 | 3,084,597 | 53,071 | 3,333,444 | 28,048,963 |
| Expenditures | | | | | | | |
| Current services: | | | | | | | |
| General government | 2,337,796 | - | - | - | - | - | 2,337,796 |
| Public safety | 1,232,149 | 4,413,628 | 5,976,602 | - | - | - | 11,622,379 |
| Public works | 379,593 | - | - | 3,005,135 | - | 332,211 | 3,716,939 |
| Community and economic development | 282,399 | - | - | - | 4,500,000 | - | 4,782,399 |
| Recreation and culture | 444,658 | - | - | - | - | 1,674,056 | 2,118,714 |
| Capital outlay | 6,362 | 4,874,761 | 800 | 31,400 | - | 374,778 | 5,288,101 |
| Debt service: | | | | | | | |
| Principal | - | 99,515 | - | - | - | 55,000 | 154,515 |
| Interest | - | 23,033 | - | - | - | 11,939 | 34,972 |
| Total expenditures | 4,682,957 | 9,410,937 | 5,977,402 | 3,036,535 | 4,500,000 | 2,447,984 | 30,055,815 |
| Excess of Revenue Over (Under) Expenditures | 5,147,915 | (3,767,206) | 125,846 | 48,062 | (4,446,929) | 885,460 | (2,006,852) |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers in (Note 6) | - | - | - | 200,000 | 2,000,000 | 10,000 | 2,210,000 |
| Transfers out (Note 6) | (2,210,000) | - | - | - | - | - | (2,210,000) |
| Sale of capital assets | 20,200 | - | - | - | - | - | 20,200 |
| Total other financing (uses) sources | (2,189,800) | - | - | 200,000 | 2,000,000 | 10,000 | 20,200 |
| Net Change in Fund Balances | 2,958,115 | (3,767,206) | 125,846 | 248,062 | (2,446,929) | 895,460 | (1,986,652) |
| Fund Balances - Beginning of year | 20,097,451 | 3,711,156 | 2,222,264 | 1,083,271 | 9,145,727 | 5,471,746 | 41,731,615 |
| Fund Balances (Deficit) - End of year | \$ 23,055,566 | \$ (56,050) | \$ 2,348,110 | \$ 1,331,333 | \$ 6,698,798 | \$ 6,367,206 | \$ 39,744,963 |

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, 2021

| | |
|--|-----------------------------|
| Net Change in Fund Balances Reported in Governmental Funds | \$ (1,986,652) |
| 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 | 5,320,236 |
| Depreciation expense | (1,656,992) |
| Net book value of asset disposals | (11,030) |
| Capital contribution | 206,479 |
| 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 | 5,072,048 |
| Change in nonexchange financial guarantee does not require current financial resources and is not reported in the governmental funds | 8,048,512 |
| Payments on capital lease obligations and other debt are expenditures in the governmental funds but not in the statement of activities (where they reduce long-term debt) | 154,515 |
| 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 | (45,179) |
| Change in Net Position of Governmental Activities | <u>\$ 15,101,937</u> |

Charter Township of Commerce

Proprietary Funds Statement of Net Position

December 31, 2021

| | Sewer Fund | Water Fund | Total Enterprise Funds |
|--|----------------------|----------------------|---------------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents (Note 3) | \$ 13,813,383 | \$ 17,092,887 | \$ 30,906,270 |
| Receivables (Note 4) | 2,137,134 | 2,393,904 | 4,531,038 |
| Prepaid expenses | 47,573 | 8,288 | 55,861 |
| Total current assets | 15,998,090 | 19,495,079 | 35,493,169 |
| Noncurrent assets: | | | |
| Special assessment receivables - Greater than one year (Note 4) | 284,691 | - | 284,691 |
| Capital assets: (Note 5) | | | |
| Assets not subject to depreciation | 1,086,510 | 262,966 | 1,349,476 |
| Assets subject to depreciation - Net | 74,966,649 | 24,493,123 | 99,459,772 |
| Total noncurrent assets | 76,337,850 | 24,756,089 | 101,093,939 |
| Total assets | 92,335,940 | 44,251,168 | 136,587,108 |
| Deferred Outflows of Resources - Bond refunding | 777,894 | - | 777,894 |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | 550,748 | 1,046,832 | 1,597,580 |
| Due to other governmental units | 3,362 | - | 3,362 |
| Accrued liabilities and other | 128,370 | - | 128,370 |
| Unearned revenue | - | 59,501 | 59,501 |
| Current portion of bonds and contracts payable (Note 7) | 1,385,000 | - | 1,385,000 |
| Total current liabilities | 2,067,480 | 1,106,333 | 3,173,813 |
| Noncurrent liabilities - Bonds payable (Note 7) | 36,088,581 | - | 36,088,581 |
| Total liabilities | 38,156,061 | 1,106,333 | 39,262,394 |
| Net Position | | | |
| Net investment in capital assets | 39,357,472 | 24,756,089 | 64,113,561 |
| Unrestricted | 15,600,301 | 18,388,746 | 33,989,047 |
| Total net position | \$ 54,957,773 | \$ 43,144,835 | \$ 98,102,608 |

Charter Township of Commerce

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

Year Ended December 31, 2021

| | Sewer Fund | Water Fund | Total Enterprise Funds |
|---|----------------------|----------------------|---------------------------|
| Operating Revenue | | | |
| Sale of water | \$ - | \$ 7,224,421 | \$ 7,224,421 |
| Sewage disposal charges | 8,431,522 | - | 8,431,522 |
| Installation fees | 276,247 | - | 276,247 |
| Other income | 60,228 | - | 60,228 |
| Total operating revenue | 8,767,997 | 7,224,421 | 15,992,418 |
| Operating Expenses | | | |
| Cost of water | - | 5,014,508 | 5,014,508 |
| Cost of sewage treatment | 4,578,786 | - | 4,578,786 |
| Other operating and maintenance costs | 1,940,408 | 269,539 | 2,209,947 |
| Depreciation | 3,461,131 | 1,118,217 | 4,579,348 |
| Total operating expenses | 9,980,325 | 6,402,264 | 16,382,589 |
| Operating (Loss) Income | (1,212,328) | 822,157 | (390,171) |
| Nonoperating Revenue (Expense) | | | |
| Investment income | 97,669 | 77,778 | 175,447 |
| Interest expense | (1,519,913) | - | (1,519,913) |
| Total nonoperating (expense) revenue | (1,422,244) | 77,778 | (1,344,466) |
| (Loss) Income - Before capital contributions | (2,634,572) | 899,935 | (1,734,637) |
| Capital Contributions | | | |
| Special assessments | - | 29,750 | 29,750 |
| Benefit fees | 1,611,610 | 325,328 | 1,936,938 |
| Total capital contributions | 1,611,610 | 355,078 | 1,966,688 |
| Change in Net Position | (1,022,962) | 1,255,013 | 232,051 |
| Net Position - Beginning of year | 55,980,735 | 41,889,822 | 97,870,557 |
| Net Position - End of year | \$ 54,957,773 | \$ 43,144,835 | \$ 98,102,608 |

Charter Township of Commerce

Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2021

| | Sewer Fund | Water Fund | Total Enterprise Funds |
|--|-----------------------------|-----------------------------|-----------------------------|
| Cash Flows from Operating Activities | | | |
| Receipts from customers | \$ 9,683,900 | \$ 7,666,004 | \$ 17,349,904 |
| Payments to suppliers | (6,779,508) | (5,419,003) | (12,198,511) |
| Other receipts (payments) | - | 106,872 | 106,872 |
| | <u>2,904,392</u> | <u>2,353,873</u> | <u>5,258,265</u> |
| Net cash and cash equivalents provided by operating activities | 2,904,392 | 2,353,873 | 5,258,265 |
| Cash Flows from Capital and Related Financing Activities | | | |
| Special assessment collections | - | 29,750 | 29,750 |
| Benefit fees | 1,720,424 | 325,328 | 2,045,752 |
| Purchase of capital assets | (3,240,123) | (43,151) | (3,283,274) |
| Principal and interest paid on capital debt | (2,884,452) | - | (2,884,452) |
| | <u>(4,404,151)</u> | <u>311,927</u> | <u>(4,092,224)</u> |
| Net cash and cash equivalents (used in) provided by capital and related financing activities | (4,404,151) | 311,927 | (4,092,224) |
| Cash Flows Provided by Investing Activities - Interest received on investments | <u>97,669</u> | <u>77,778</u> | <u>175,447</u> |
| Net (Decrease) Increase in Cash and Cash Equivalents | (1,402,090) | 2,743,578 | 1,341,488 |
| Cash and Cash Equivalents - Beginning of year | <u>15,215,473</u> | <u>14,349,309</u> | <u>29,564,782</u> |
| Cash and Cash Equivalents - End of year | <u><u>\$ 13,813,383</u></u> | <u><u>\$ 17,092,887</u></u> | <u><u>\$ 30,906,270</u></u> |
| Reconciliation of Operating (Loss) Income to Net Cash and Cash Equivalents from Operating Activities | | | |
| Operating (loss) income | \$ (1,212,328) | \$ 822,157 | \$ (390,171) |
| Adjustments to reconcile operating (loss) income to net cash and cash equivalents from operating activities: | | | |
| Depreciation | 3,461,131 | 1,118,217 | 4,579,348 |
| Changes in assets and liabilities: | | | |
| Receivables | 915,903 | 548,455 | 1,464,358 |
| Prepaid and other assets | (7,907) | 18,156 | 10,249 |
| Accounts payable | (252,407) | (153,112) | (405,519) |
| | <u>4,116,720</u> | <u>1,531,716</u> | <u>5,648,436</u> |
| Total adjustments | 4,116,720 | 1,531,716 | 5,648,436 |
| Net cash and cash equivalents provided by operating activities | <u><u>\$ 2,904,392</u></u> | <u><u>\$ 2,353,873</u></u> | <u><u>\$ 5,258,265</u></u> |

Charter Township of Commerce

**Fiduciary Funds
Statement of Fiduciary Net Position**

December 31, 2021

| | Other Employee Benefit Trust Fund - Retirement Health Funding Vehicle | Custodial Fund - Tax Collection Fund | Total Fiduciary Funds |
|---|--|--|--------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ - | \$ 1,059,657 | \$ 1,059,657 |
| Interest in investment pool | 446,853 | - | 446,853 |
| Property tax receivables | - | 1,747,904 | 1,747,904 |
| Total assets | 446,853 | 2,807,561 | 3,254,414 |
| Liabilities - Due to other governments | - | 1,059,657 | 1,059,657 |
| Deferred Inflows of Resources - Taxes levied for the following year | - | 1,747,904 | 1,747,904 |
| Net Position - Restricted - Postemployment benefits other than pension | <u><u>\$ 446,853</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 446,853</u></u> |

Charter Township of Commerce

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2021

| | Other Employee Benefit Trust Fund - Retirement Health Funding Vehicle | Custodial Fund - Tax Collection Fund | Total Fiduciary Funds |
|---|--|--|--------------------------|
| Additions | | | |
| Investment income (loss): | | | |
| Net increase in fair value of investments | \$ 18,884 | \$ - | \$ 18,884 |
| Investment costs | (787) | - | (787) |
| Net investment income | 18,097 | - | 18,097 |
| Property tax collections | - | 56,801,068 | 56,801,068 |
| Total additions | 18,097 | 56,801,068 | 56,819,165 |
| Deductions | | | |
| Benefit payments | 6,200 | - | 6,200 |
| Property tax disbursements | - | 56,801,068 | 56,801,068 |
| Total deductions | 6,200 | 56,801,068 | 56,807,268 |
| Net Increase in Fiduciary Net Position | 11,897 | - | 11,897 |
| Net Position - Beginning of year | 434,956 | - | 434,956 |
| Net Position - End of year | \$ 446,853 | \$ - | \$ 446,853 |

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

The Charter Township of Commerce (the "Township") follows accounting principles generally accepted in the United States of America (GAAP), as 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.

Fiduciary Component Unit

The retiree health care plan is governed by the township board. Although the retiree health care 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.

December 31, 2021

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 health care-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, Michigan sheriff's department.
- The Improvement and Building Fund accounts for the major improvements within the Township, garbage 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)

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 health care 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.

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.

Note 1 - Significant Accounting Policies (Continued)

Restricted Assets

Restricted cash represents unspent bond proceeds.

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.

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 |

Unearned Revenue

Unearned revenue represents money received that does not yet meet the criteria for revenue recognition. As of December 31, 2021, the General Fund balance of unearned revenue relates to American Rescue Plan Act cash received in advance of eligibility criteria being met. Unearned amounts are reported as liabilities.

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 and/or balance sheet 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 and/or balance sheet 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.

December 31, 2021

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.

December 31, 2021

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 exist only 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 amended 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, 2021 of the Budget Stabilization Fund, which is reported in the General Fund, is \$1,315,272.

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, 2020 and is recognized as revenue in the year ended December 31, 2021 when the proceeds of the levy are budgeted and available for the financing of operations.

The taxable valuation of the Township totaled \$2.2 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 | Revenue |
|---|--------------|-----------|
| General operating | 2.0100 \$ | 2,885,000 |
| Fire township-wide special assessment | 2.4000 | 5,159,000 |
| Police township-wide special assessment | 2.6220 | 5,770,000 |
| Library extra voted | 0.6670 | 1,980,000 |
| Open space extra voted | 0.3753 | 768,000 |

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 \$214.20 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, 2021

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 Pronouncements

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 ended 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*.

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2023.

December 31, 2021

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, 2021 | \$ 2,044,832 |
| Current year permit revenue | 1,127,865 |
| Related expenses - Direct costs | <u>1,174,068</u> |
| Current year deficiency | <u>(46,203)</u> |
| Cumulative surplus December 31, 2021 | <u>\$ 1,998,629</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 no 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 bank deposits of \$29,582,051 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township also reports \$25 million of Sewer Fund and Water Fund cash held by Oakland County, Michigan that is not included in the calculation of uninsured deposits. 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.

December 31, 2021

Note 3 - Deposits and Investments (Continued)

At year end, the Township had the following investments:

| Investment | Fair Value | Weighted-average Maturity (Years) |
|------------------------------------|----------------------|-----------------------------------|
| Primary Government | | |
| Local Government Investment Pool | \$ 32,103,496 | 1.64 |
| Negotiable certificates of deposit | <u>687,793</u> | 4.37 |
| Total | <u>\$ 32,791,289</u> | |

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, 2021, 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 | \$ 32,103,496 | NR | N/A |
| Bank investment pool | 3,609,170 | AAA | S&P |
| Negotiable certificates of deposit | <u>687,793</u> | NR | N/A |
| Total | <u>\$ 36,400,459</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 45 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.

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, and 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 where 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, 2021:

- The Township's investments in the Oakland County LGIP (\$32,103,496) and Michigan CLASS (\$3,609,170) are measured at net asset value (NAV).
- Negotiable certificates of deposit of \$687,793 are valued using a matrix pricing model (Level 2 inputs).

December 31, 2021

Note 3 - Deposits and Investments (Continued)

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

Investments in Entities that Calculate Net Asset Value per Share

The Township holds shares or interests in investment pools where 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, 2021, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

| | <u>Carrying Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency, if Eligible</u> | <u>Redemption Notice Period</u> |
|---|-----------------------|-----------------------------|--|---------------------------------|
| Primary Government | | | | |
| Oakland County Local Government Investment Pool | \$ 32,103,496 | \$ - | No restrictions | None |
| Michigan CLASS investment pool | 3,609,170 | - | No restrictions | None |
| Fiduciary Funds | | | | |
| MERS Total Market Fund | \$ 446,853 | \$ - | 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.

The MERS Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. The Municipal Employees' Retirement System (MERS) manages the asset allocation and monitors the underlying investment managers of the MERS Total Market Portfolio.

December 31, 2021

Note 4 - Receivables

Receivables as of December 31, 2021 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 | \$ 1,404,944 | \$ 5,226,762 | \$ 1,256,887 | \$ - | \$ - | \$ 7,888,593 |
| Special assessments receivable | - | 1,156,860 | 340,548 | 284,691 | 59,501 | 1,841,600 |
| Customer receivables | - | - | - | 2,023,100 | 2,329,791 | 4,352,891 |
| Other receivables | 174,438 | 87,510 | - | 9,771 | - | 271,719 |
| Due from other governments | 968,975 | 228,245 | - | 104,263 | 4,612 | 1,306,095 |
| Total receivables | <u>\$ 2,548,357</u> | <u>\$ 6,699,377</u> | <u>\$ 1,597,435</u> | <u>\$ 2,421,825</u> | <u>\$ 2,393,904</u> | <u>\$ 15,660,898</u> |

Note 5 - Capital Assets

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

Governmental Activities

| | Balance January 1, 2021 | Reclassifications | Additions | Disposals and Adjustments | Balance December 31, 2021 |
|--|-------------------------|-------------------|---------------------|---------------------------|---------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 13,210,423 | \$ - | \$ - | \$ (8,800) | \$ 13,201,623 |
| Construction in progress | 1,894,744 | (1,143,561) | 4,857,895 | - | 5,609,078 |
| Subtotal | 15,105,167 | (1,143,561) | 4,857,895 | (8,800) | 18,810,701 |
| Capital assets being depreciated: | | | | | |
| Buildings | 19,865,342 | - | - | (2,230) | 19,863,112 |
| Improvements | 5,614,373 | 1,143,561 | 203,953 | - | 6,961,887 |
| Machinery and equipment | 8,399,177 | - | 279,837 | - | 8,679,014 |
| Books and materials | 1,285,490 | - | 185,030 | - | 1,470,520 |
| Subtotal | 35,164,382 | 1,143,561 | 668,820 | (2,230) | 36,974,533 |
| Accumulated depreciation: | | | | | |
| Buildings | 5,557,655 | - | 479,180 | - | 6,036,835 |
| Improvements | 1,720,013 | - | 326,459 | - | 2,046,472 |
| Machinery and equipment | 5,315,540 | - | 710,286 | - | 6,025,826 |
| Books and materials | 859,856 | - | 141,067 | - | 1,000,923 |
| Subtotal | 13,453,064 | - | 1,656,992 | - | 15,110,056 |
| Net capital assets being depreciated | 21,711,318 | 1,143,561 | (988,172) | (2,230) | 21,864,477 |
| Net governmental activities capital assets | <u>\$ 36,816,485</u> | <u>\$ -</u> | <u>\$ 3,869,723</u> | <u>\$ (11,030)</u> | <u>\$ 40,675,178</u> |

December 31, 2021

Note 5 - Capital Assets (Continued)

Business-type Activities

| | Balance January 1, 2021 | Reclassifications | Additions | Disposals and Adjustments | Balance December 31, 2021 |
|---|-------------------------------|-------------------|-----------------------|------------------------------|---------------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 438,993 | \$ - | \$ - | \$ - | \$ 438,993 |
| Construction in progress | 1,344,905 | (1,086,017) | 651,595 | - | 910,483 |
| Subtotal | 1,783,898 | (1,086,017) | 651,595 | - | 1,349,476 |
| Capital assets being depreciated - | | | | | |
| Buildings and infrastructure | 176,752,720 | 1,086,017 | 2,631,679 | - | 180,470,416 |
| Accumulated depreciation - | | | | | |
| Buildings and infrastructure | 76,431,296 | - | 4,579,348 | - | 81,010,644 |
| Net capital assets being depreciated | 100,321,424 | 1,086,017 | (1,947,669) | - | 99,459,772 |
| Net business-type activities capital assets | <u>\$ 102,105,322</u> | <u>\$ -</u> | <u>\$ (1,296,074)</u> | <u>\$ -</u> | <u>\$ 100,809,248</u> |

Component Unit

| | Balance January 1, 2021 | Additions | Disposals and Adjustments | Balance December 31, 2021 |
|---|-------------------------------|-----------|------------------------------|---------------------------------|
| 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 | | \$ 193,048 |
| Public safety | | 401,200 |
| Public works | | 9,776 |
| Recreation and culture | | 1,052,968 |
| Total governmental activities | | <u>\$ 1,656,992</u> |
| Business-type activities: | | |
| Sewer | | \$ 3,461,131 |
| Water | | 1,118,217 |
| Total business-type activities | | <u>\$ 4,579,348</u> |

December 31, 2021

Note 5 - Capital Assets (Continued)

Construction Commitments

The Township has one significant active construction project at year end - the fire station #3 on Welch project for which the Township has spent approximately \$5.4 million as of December 31, 2021 and has a remaining commitment of approximately \$653,000.

Note 6 - Interfund Receivables, Payables, and Transfers

The General Fund has made a long-term advance to the Fire Fund. The \$1,500,000 outstanding will be repaid through 2024.

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 | \$ 21,352,033 |

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 |
| | Nonmajor governmental funds | 10,000 |
| | Total General Fund | <u>\$ 2,210,000</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.

Note 7 - Long-term Debt

Long-term debt activity for the year ended December 31, 2021 can be summarized as follows:

Governmental Activities

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|--|----------------------|-------------------|-----------------------|----------------------|---------------------|
| General obligation special assessment bonds - Direct borrowing | \$ 731,000 | \$ - | \$ (55,000) | \$ 676,000 | \$ 78,000 |
| Capital leases - Direct borrowings | 770,335 | - | (99,515) | 670,820 | 102,491 |
| Compensated absences | 260,875 | 328,421 | (283,242) | 306,054 | 45,671 |
| Nonexchange financial guarantee (Note 8) | 28,061,606 | - | (8,048,512) | 20,013,094 | - |
| Total governmental activities long-term debt | <u>\$ 29,823,816</u> | <u>\$ 328,421</u> | <u>\$ (8,486,269)</u> | <u>\$ 21,665,968</u> | <u>\$ 226,162</u> |

December 31, 2021

Note 7 - Long-term Debt (Continued)

Business-type Activities

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|---|----------------------|-------------|-----------------------|----------------------|------------------------|
| Bonds and contracts payable: | | | | | |
| Other debt: | | | | | |
| 2016 Capital Improvement Refunding Bonds | \$ 22,805,000 | \$ - | \$ (840,000) | \$ 21,965,000 | \$ 885,000 |
| 2017 Capital Improvement Refunding Bonds | 9,155,000 | - | (25,000) | 9,130,000 | 25,000 |
| 2019 Capital Improvement Refunding Bonds | 4,425,000 | - | (400,000) | 4,025,000 | 420,000 |
| Total other debt outstanding | 36,385,000 | - | (1,265,000) | 35,120,000 | 1,330,000 |
| Direct borrowings and direct placements - Clean Water State Revolving Funds | 784,804 | - | (55,000) | 729,804 | 55,000 |
| Unamortized bond premiums | 1,712,083 | - | (88,306) | 1,623,777 | - |
| Total business-type activities long-term debt | <u>\$ 38,881,887</u> | <u>\$ -</u> | <u>\$ (1,408,306)</u> | <u>\$ 37,473,581</u> | <u>\$ 1,385,000</u> |

Component Unit

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|--|----------------------|-------------|-----------------------|----------------------|------------------------|
| Bonds and contracts payable: | | | | | |
| Other debt: | | | | | |
| 2016 Downtown Development Authority Limited Tax General Obligation Bonds Series 2016-A | \$ 18,835,000 | \$ - | \$ (1,580,000) | \$ 17,255,000 | \$ 2,025,000 |
| 2016 Downtown Development Authority Limited Tax General Obligation Bonds Series 2016-B | 2,045,000 | - | (665,000) | 1,380,000 | 580,000 |
| 2019 Downtown Development Authority Limited Tax General Obligation Bonds Series 2019 | 31,100,000 | - | (1,820,000) | 29,280,000 | 1,870,000 |
| Total other debt principal outstanding | 51,980,000 | - | (4,065,000) | 47,915,000 | 4,475,000 |
| Unamortized bond premiums | 1,327,358 | - | (111,348) | 1,216,010 | - |
| Total component unit long-term debt | <u>\$ 53,307,358</u> | <u>\$ -</u> | <u>\$ (4,176,348)</u> | <u>\$ 49,131,010</u> | <u>\$ 4,475,000</u> |

The Township had deferred outflows of \$777,894 related to deferred charges on bond refundings at December 31, 2021.

December 31, 2021

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, 2021 are as follows:

| Purpose | Year Issued | Interest Rates | Maturing | Outstanding |
|---|-------------|----------------|----------|---------------|
| Governmental Activities | | | | |
| Special assessment bonds | 2020 | 1.55% | 2030 | \$ 676,000 |
| Business-type Activities | | | | |
| Clean Water State Revolving Funds (direct borrowing) | 2013 | 2.0% | 2033 | \$ 729,804 |
| Capital improvement refunding bonds (other debt) | 2016 | 2.0 - 5.0% | 2038 | 21,965,000 |
| Capital improvement refunding bonds (other debt) | 2017 | 2.0 - 4.0% | 2039 | 9,130,000 |
| Capital improvement refunding bonds (other debt) | 2019 | 2.0 - 4.0% | 2029 | 4,025,000 |
| Total business-type activities | | | | \$ 35,849,804 |
| Capital Improvement Refunding Bonds (Other Debt) | | | | |
| Series 2016-A LTGO bonds | 2016 | 4.0 - 5.0% | 2026 | \$ 17,255,000 |
| Series 2016-B LTGO bonds | 2016 | 1.01 - 2.63% | 2024 | 1,380,000 |
| Series 2019 LTGO bonds | 2019 | 2.63 - 3.85% | 2034 | 29,280,000 |
| Total capital improvement refunding bonds (other debt) | | | | \$ 47,915,000 |

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 | | |
|-----------------------------|-------------------------|-------------------|---------------------|
| | Direct Borrowings | | |
| | Principal | Interest | Total |
| 2022 | \$ 180,491 | \$ 30,536 | \$ 211,027 |
| 2023 | 183,555 | 26,262 | 209,817 |
| 2024 | 539,774 | 21,897 | 561,671 |
| 2025 | 76,000 | 6,867 | 82,867 |
| 2026 | 74,000 | 5,689 | 79,689 |
| 2027-2031 | 293,000 | 11,299 | 304,299 |
| 2032-2036 | - | - | - |
| 2037-2039 | - | - | - |
| Total | \$ 1,346,820 | \$ 102,550 | \$ 1,449,370 |

| Years Ending December 31 | Business-type Activities | | | | |
|-----------------------------|--|------------------|----------------------|----------------------|----------------------|
| | Direct Borrowings and Direct Placements | | Other Debt | | Total |
| | Principal | Interest | Principal | Interest | |
| 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 | 60,000 | 11,296 | 1,530,000 | 1,320,006 | 2,921,302 |
| 2026 | 60,000 | 10,096 | 1,620,000 | 1,248,606 | 2,938,702 |
| 2027-2031 | 310,000 | 32,380 | 9,495,000 | 5,043,131 | 14,880,511 |
| 2032-2036 | 134,804 | 4,092 | 11,800,000 | 2,981,763 | 14,920,659 |
| 2037-2039 | - | - | 6,500,000 | 508,250 | 7,008,250 |
| Total | \$ 729,804 | \$ 98,352 | \$ 35,120,000 | \$ 15,429,724 | \$ 51,377,880 |

| Years Ending December 31 | Component Unit Activities | | |
|-----------------------------|---------------------------|----------------------|----------------------|
| | Other Debt | | |
| | Principal | Interest | Total |
| 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 | 4,585,000 | 1,287,905 | 5,872,905 |
| 2026 | 4,730,000 | 1,097,901 | 5,827,901 |
| 2027-2031 | 17,015,000 | 3,000,405 | 20,015,405 |
| 2032-2036 | 7,920,000 | 611,376 | 8,531,376 |
| 2037-2039 | - | - | - |
| Total | \$ 47,915,000 | \$ 10,943,648 | \$ 58,858,648 |

December 31, 2021

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 \$20,150,000 to the DDA, plus \$1,202,033 of accrued interest, resulting in a receivable owed to the Township of \$21,352,033. 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, 2021, the Township has recorded an estimated liability for this financial guarantee of \$20,013,094. This reflects a decrease of \$8,048,512 as a result of \$4.5 million being advanced to the DDA in 2021, as well as an increase in projected DDA captures in future years.

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 Fund | Debt Sinking Fund | Nonmajor Funds | Total |
|--|---------------|-------------|--------------|-------------------------------|-------------------|----------------|---------------|
| Nonspendable - Prepaids | \$ 149,329 | \$ 50,349 | \$ - | \$ - | \$ - | \$ 8,233 | \$ 207,911 |
| Restricted: | | | | | | | |
| Sheriff | - | - | 2,348,110 | - | - | - | 2,348,110 |
| Building inspections | 1,997,306 | - | - | - | - | - | 1,997,306 |
| Library | - | - | - | - | - | 3,416,311 | 3,416,311 |
| Open space acquisitions, maintenance, and improvements | - | - | - | - | - | 2,085,506 | 2,085,506 |
| Museum | - | - | - | - | - | 174,568 | 174,568 |
| Cemetery | - | - | - | - | - | 310,379 | 310,379 |
| SAD | - | - | - | - | - | 331,635 | 331,635 |
| Subdivision road paving | - | - | - | - | - | 40,574 | 40,574 |
| Total restricted | 1,997,306 | - | 2,348,110 | - | - | 6,358,973 | 10,704,389 |
| Committed: | | | | | | | |
| Budget stabilization | 1,315,272 | - | - | - | - | - | 1,315,272 |
| Improvement and building | - | - | - | 1,331,333 | - | - | 1,331,333 |
| Total committed | 1,315,272 | - | - | 1,331,333 | - | - | 2,646,605 |
| Assigned: | | | | | | | |
| DDA debt support | - | - | - | - | 6,698,798 | - | 6,698,798 |
| Road improvements | 1,076,819 | - | - | - | - | - | 1,076,819 |
| Retiree health care | 73 | - | - | - | - | - | 73 |
| Total assigned | 1,076,892 | - | - | - | 6,698,798 | - | 7,775,690 |
| Unassigned | 18,516,767 | (106,399) | - | - | - | - | 18,410,368 |
| Total fund balance | \$ 23,055,566 | \$ (56,050) | \$ 2,348,110 | \$ 1,331,333 | \$ 6,698,798 | \$ 6,367,206 | \$ 39,744,963 |

December 31, 2021

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 | \$ 2,085,506 |
| Museum | 174,568 |
| Cemetery | 310,379 |
| SAD | 331,635 |
| Subdivision road paving | <u>40,574</u> |
| Total other restrictions | <u>\$ 2,942,662</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.

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, 2021, expense was approximately \$538,000. 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 health care 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, 2021, there were no retirees eligible for health insurance benefits, and \$6,200 was paid in stipends to eligible firefighters. There are approximately 50 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 \$446,853 at December 31, 2021. 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.

December 31, 2021

Note 13 - Risk Management (Continued)

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.

Required Supplemental Information

Charter Township of Commerce

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended December 31, 2021

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|------------------|-------------------|------------------|------------------------------|
| Revenue | | | | |
| Property taxes | \$ 3,304,498 | \$ 3,032,855 | \$ 3,033,074 | \$ 219 |
| Intergovernmental: | | | | |
| Federal grants | 72,000 | 80,000 | 79,384 | (616) |
| State sources: | | | | |
| State-shared revenue | 3,232,732 | 3,240,232 | 3,825,664 | 585,432 |
| Local Community Stabilization Authority | 38,000 | 36,640 | 63,807 | 27,167 |
| Other state aid | 12,500 | 12,500 | 10,943 | (1,557) |
| Local grants and contributions | 46,672 | 62,920 | 62,881 | (39) |
| Charges for services | 250,500 | 261,000 | 260,348 | (652) |
| Fines and forfeitures | 90,000 | 90,000 | 75,643 | (14,357) |
| Licenses and permits | 522,000 | 688,600 | 716,189 | 27,589 |
| Interest and rentals | 353,558 | 413,000 | 485,446 | 72,446 |
| Other revenue | 47,000 | 2,180,281 | 71,953 | (2,108,328) |
| Total revenue | 7,969,460 | 10,098,028 | 8,685,332 | (1,412,696) |
| Expenditures | | | | |
| Current services: | | | | |
| General government: | | | | |
| Governing body | 34,000 | 34,000 | 28,388 | 5,612 |
| Supervisor | 138,632 | 140,336 | 140,230 | 106 |
| Finance/Human resources | 141,616 | 154,829 | 153,298 | 1,531 |
| Information technology | 136,277 | 136,277 | 126,593 | 9,684 |
| Treasurer | 400,497 | 400,497 | 374,693 | 25,804 |
| Assessing | 350,200 | 350,200 | 346,475 | 3,725 |
| Board of review | 4,456 | 4,456 | 3,773 | 683 |
| Clerk | 443,253 | 389,150 | 377,464 | 11,686 |
| Building and grounds maintenance | 234,000 | 234,000 | 171,555 | 62,445 |
| Attorney | 300,000 | 300,000 | 257,466 | 42,534 |
| Elections | 63,600 | 140,076 | 17,772 | 122,304 |
| Township hall - General services | 284,983 | 261,377 | 227,159 | 34,218 |
| Other | 131,566 | 156,866 | 106,880 | 49,986 |
| Public safety - Ordinance enforcement | 83,527 | 60,600 | 58,081 | 2,519 |
| Public works: | | | | |
| Street lighting | 18,800 | 25,000 | 24,601 | 399 |
| Maintenance department | 360,057 | 297,037 | 249,067 | 47,970 |
| Transportation services | 133,672 | 88,000 | 90,925 | (2,925) |
| Community and economic development: | | | | |
| Planning | 239,577 | 239,577 | 234,972 | 4,605 |
| CDBG | 72,000 | 50,000 | 47,427 | 2,573 |
| Recreation and culture - Parks and recreation | 548,589 | 527,985 | 444,658 | 83,327 |
| Capital outlay | - | 6,500 | 6,362 | 138 |
| Total expenditures | 4,119,302 | 3,996,763 | 3,487,839 | 508,924 |

Charter Township of Commerce

Required Supplemental Information
Budgetary Comparison Schedule
General Fund (Continued)

Year Ended December 31, 2021

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|--|-----------------------------|-----------------------------|-----------------------------|------------------------------|
| Excess of Revenue Over Expenditures | \$ 3,850,158 | \$ 6,101,265 | \$ 5,197,493 | \$ (903,772) |
| Other Financing (Uses) Sources | | | | |
| Transfers out | (4,310,000) | (3,810,000) | (2,310,000) | 1,500,000 |
| Sale of capital assets | - | 18,700 | 20,200 | 1,500 |
| Total other financing uses | <u>(4,310,000)</u> | <u>(3,791,300)</u> | <u>(2,289,800)</u> | <u>1,501,500</u> |
| Net Change in Fund Balance | (459,842) | 2,309,965 | 2,907,693 | 597,728 |
| Fund Balance - Beginning of year | <u>15,757,080</u> | <u>15,757,080</u> | <u>15,757,080</u> | <u>-</u> |
| Fund Balance - End of year | <u>\$ 15,297,238</u> | <u>\$ 18,067,045</u> | <u>\$ 18,664,773</u> | <u>\$ 597,728</u> |

Charter Township of Commerce

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

Year Ended December 31, 2021

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|---------------------|---------------------|--------------------|------------------------------|
| Revenue | | | | |
| Property taxes | \$ 5,164,800 | \$ 5,164,800 | \$ 5,158,505 | \$ (6,295) |
| Intergovernmental | 525,384 | 525,384 | 345,564 | (179,820) |
| Charges for services | 1,000 | 1,000 | - | (1,000) |
| Fines and forfeitures | 100 | 100 | - | (100) |
| Interest and rentals | 40,000 | 40,000 | 17,239 | (22,761) |
| Other revenue | 83,000 | 83,000 | 122,423 | 39,423 |
| Total revenue | 5,814,284 | 5,814,284 | 5,643,731 | (170,553) |
| Expenditures | | | | |
| Public safety | 4,598,538 | 4,572,002 | 4,413,628 | 158,374 |
| Capital outlay | 3,720,000 | 5,050,000 | 4,874,761 | 175,239 |
| Debt service | - | 123,050 | 122,548 | 502 |
| Total expenditures | 8,318,538 | 9,745,052 | 9,410,937 | 334,115 |
| Excess of Expenditures Over Revenue | (2,504,254) | (3,930,768) | (3,767,206) | 163,562 |
| Other Financing Sources - Sale of capital assets | 2,009,000 | 1,509,000 | - | (1,509,000) |
| Net Change in Fund Balance | (495,254) | (2,421,768) | (3,767,206) | (1,345,438) |
| Fund Balance - Beginning of year | 3,711,156 | 3,711,156 | 3,711,156 | - |
| Fund Balance - End of year | <u>\$ 3,215,902</u> | <u>\$ 1,289,388</u> | <u>\$ (56,050)</u> | <u>\$ (1,345,438)</u> |

Charter Township of Commerce

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

Year Ended December 31, 2021

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|---------------------|---------------------|---------------------|------------------------------|
| Revenue | | | | |
| Property taxes | \$ 5,835,877 | \$ 5,835,877 | \$ 5,769,655 | \$ (66,222) |
| Intergovernmental | - | - | 33,782 | 33,782 |
| Interest and rentals | 20,000 | 20,000 | 17,556 | (2,444) |
| Other revenue | 309,824 | 309,824 | 282,255 | (27,569) |
| Total revenue | 6,165,701 | 6,165,701 | 6,103,248 | (62,453) |
| Expenditures | | | | |
| Public safety | 5,914,308 | 5,916,361 | 5,976,602 | (60,241) |
| Capital outlay | 200,000 | 1,000 | 800 | 200 |
| Total expenditures | 6,114,308 | 5,917,361 | 5,977,402 | (60,041) |
| Net Change in Fund Balance | 51,393 | 248,340 | 125,846 | (122,494) |
| Fund Balance - Beginning of year | 2,222,264 | 2,222,264 | 2,222,264 | - |
| Fund Balance - End of year | \$ 2,273,657 | \$ 2,470,604 | \$ 2,348,110 | \$ (122,494) |

Charter Township of Commerce

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

Year Ended December 31, 2021

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|---------------------|---------------------|---------------------|------------------------------|
| Revenue | | | | |
| Charges for services | \$ 2,992,401 | \$ 3,010,616 | \$ 3,007,653 | \$ (2,963) |
| Interest and rentals | 53,461 | 28,920 | 28,944 | 24 |
| Other revenue | - | 48,000 | 48,000 | - |
| Total revenue | 3,045,862 | 3,087,536 | 3,084,597 | (2,939) |
| Expenditures | | | | |
| Public works | 3,006,124 | 3,004,262 | 3,005,135 | (873) |
| Capital outlay | 25,000 | 32,000 | 31,400 | 600 |
| Total expenditures | 3,031,124 | 3,036,262 | 3,036,535 | (273) |
| Excess of Revenue Over Expenditures | 14,738 | 51,274 | 48,062 | (3,212) |
| Other Financing Sources - Transfers in | 200,000 | 200,000 | 200,000 | - |
| Net Change in Fund Balance | 214,738 | 251,274 | 248,062 | (3,212) |
| Fund Balance - Beginning of year | 1,083,271 | 1,083,271 | 1,083,271 | - |
| Fund Balance - End of year | <u>\$ 1,298,009</u> | <u>\$ 1,334,545</u> | <u>\$ 1,331,333</u> | <u>\$ (3,212)</u> |

Charter Township of Commerce

Notes to Required Supplemental Information

December 31, 2021

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, in the budget, 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 revenue, expenditures, and changes in fund balances is as follows:

| | Total Revenue | Total Expenditures | Fund Balance | Other Financing Uses |
|---------------------------------|---------------------|---------------------|----------------------|-----------------------|
| Amounts per operating statement | \$ 9,830,872 | \$ 4,682,957 | \$ 23,055,566 | \$ (2,189,800) |
| Building and Inspection Fund | (1,127,865) | (1,174,068) | (1,998,629) | - |
| Road Improvements Fund | (10,521) | (15,000) | (1,076,819) | (100,000) |
| Retiree Health Care Plan | (7,154) | (6,050) | (73) | - |
| Budget Stabilization Fund | - | - | (1,315,272) | - |
| Amounts per budget statement | <u>\$ 8,685,332</u> | <u>\$ 3,487,839</u> | <u>\$ 18,664,773</u> | <u>\$ (2,289,800)</u> |

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Township incurred expenditures that were in excess of amounts budgeted, as follows:

| | Budget | Actual | Variance |
|--|-----------|-----------|------------|
| General Fund - Transportation services | \$ 88,000 | \$ 90,925 | \$ (2,925) |
| Sheriff Fund - Public safety | 5,916,361 | 5,976,602 | (60,241) |
| Improvement and Building Fund - Public works | 3,004,262 | 3,005,135 | (873) |

Other Supplemental Information

Charter Township of Commerce

Other Supplemental Information Combining Balance Sheet General Fund

December 31, 2021

| | 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 | \$ 20,342,290 | \$ 2,073,631 | \$ 1,066,819 | \$ 73 | \$ 1,315,272 | \$ 1,246,141 | \$ 26,044,226 |
| Receivables: | | | | | | | |
| Property taxes receivable | 1,404,944 | - | - | - | - | - | 1,404,944 |
| Other receivables | 164,438 | - | 10,000 | - | - | - | 174,438 |
| Due from other governments | 968,975 | - | - | - | - | - | 968,975 |
| Advances to other funds | 1,500,000 | - | - | - | - | - | 1,500,000 |
| Prepaid expenses | 148,006 | 1,323 | - | - | - | - | 149,329 |
| Long-term advance to component unit (including interest) | 21,352,033 | - | - | - | - | - | 21,352,033 |
| Total assets | \$ 45,880,686 | \$ 2,074,954 | \$ 1,076,819 | \$ 73 | \$ 1,315,272 | \$ 1,246,141 | \$ 51,593,945 |
| Liabilities | | | | | | | |
| Accounts payable | \$ 100,187 | \$ 75,507 | \$ - | \$ - | \$ - | \$ - | \$ 175,694 |
| Refundable deposits | 202,683 | - | - | - | - | 1,246,141 | 1,448,824 |
| Accrued liabilities and other | 28,085 | 818 | - | - | - | - | 28,903 |
| Unearned revenue | 2,055,795 | - | - | - | - | - | 2,055,795 |
| Total liabilities | 2,386,750 | 76,325 | - | - | - | 1,246,141 | 3,709,216 |
| Deferred Inflows of Resources - Property taxes levied for the following year | | | | | | | |
| | 24,829,163 | - | - | - | - | - | 24,829,163 |
| Total liabilities and deferred inflows of resources | 27,215,913 | 76,325 | - | - | - | 1,246,141 | 28,538,379 |
| Fund Balances | | | | | | | |
| Nonspendable | 148,006 | 1,323 | - | - | - | - | 149,329 |
| Restricted | - | 1,997,306 | - | - | - | - | 1,997,306 |
| Committed | - | - | - | - | 1,315,272 | - | 1,315,272 |
| Assigned | - | - | 1,076,819 | 73 | - | - | 1,076,892 |
| Unassigned | 18,516,767 | - | - | - | - | - | 18,516,767 |
| Total fund balances | 18,664,773 | 1,998,629 | 1,076,819 | 73 | 1,315,272 | - | 23,055,566 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 45,880,686 | \$ 2,074,954 | \$ 1,076,819 | \$ 73 | \$ 1,315,272 | \$ 1,246,141 | \$ 51,593,945 |

Charter Township of Commerce

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

Year Ended December 31, 2021

| | 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 | \$ 3,033,074 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,033,074 |
| Intergovernmental: | | | | | | | |
| Federal grants | 79,384 | - | - | - | - | - | 79,384 |
| State sources: | | | | | | | |
| State-shared revenue | 3,825,664 | - | - | - | - | - | 3,825,664 |
| Local Community Stabilization Authority | 63,807 | - | - | - | - | - | 63,807 |
| Other state aid | 10,943 | - | - | - | - | - | 10,943 |
| Local grants and contributions | 62,881 | - | - | - | - | - | 62,881 |
| Charges for services | 260,348 | - | - | - | - | - | 260,348 |
| Fines and forfeitures | 75,643 | - | - | - | - | - | 75,643 |
| Licenses and permits | 716,189 | 1,127,865 | - | - | - | - | 1,844,054 |
| Interest and rentals | 485,446 | - | 521 | 545 | - | - | 486,512 |
| Other revenue | 71,953 | - | 10,000 | 6,609 | - | - | 88,562 |
| Total revenue | 8,685,332 | 1,127,865 | 10,521 | 7,154 | - | - | 9,830,872 |
| Expenditures | | | | | | | |
| Current services: | | | | | | | |
| General government | 2,331,746 | - | - | 6,050 | - | - | 2,337,796 |
| Public safety | 58,081 | 1,174,068 | - | - | - | - | 1,232,149 |
| Public works | 364,593 | - | 15,000 | - | - | - | 379,593 |
| Community and economic development | 282,399 | - | - | - | - | - | 282,399 |
| Recreation and culture | 444,658 | - | - | - | - | - | 444,658 |
| Capital outlay | 6,362 | - | - | - | - | - | 6,362 |
| Total expenditures | 3,487,839 | 1,174,068 | 15,000 | 6,050 | - | - | 4,682,957 |
| Excess of Revenue Over (Under) Expenditures | 5,197,493 | (46,203) | (4,479) | 1,104 | - | - | 5,147,915 |
| Other Financing (Uses) Sources | | | | | | | |
| Transfers out | (2,310,000) | - | 100,000 | - | - | - | (2,210,000) |
| Sale of capital assets | 20,200 | - | - | - | - | - | 20,200 |
| Total other financing (uses) sources | (2,289,800) | - | 100,000 | - | - | - | (2,189,800) |
| Net Change in Fund Balances | 2,907,693 | (46,203) | 95,521 | 1,104 | - | - | 2,958,115 |
| Fund Balances (Deficit) - Beginning of year | 15,757,080 | 2,044,832 | 981,298 | (1,031) | 1,315,272 | - | 20,097,451 |
| Fund Balances - End of year | \$ 18,664,773 | \$ 1,998,629 | \$ 1,076,819 | \$ 73 | \$ 1,315,272 | \$ - | \$ 23,055,566 |

Charter Township of Commerce

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

December 31, 2021

| | Special Revenue Funds | | | | Debt Service Fund | Capital Project Fund | Total |
|--|-----------------------|-------------------|-------------------|---------------------|------------------------------|----------------------------|---------------------|
| | Open Space Fund | Museum Fund | Cemetery Fund | Library Fund | Special Assessment Debt Fund | Peninsular Park Paving SAD | |
| Assets | | | | | | | |
| Cash and investments | \$ 2,582,757 | \$ 174,568 | \$ 310,379 | \$ 4,623,767 | \$ 335,128 | \$ - | \$ 8,026,599 |
| Receivables | 346,767 | - | - | 897,171 | 353,497 | - | 1,597,435 |
| Prepaid expenses | - | - | - | 8,233 | - | - | 8,233 |
| Restricted cash | - | - | - | - | - | 40,574 | 40,574 |
| Total assets | \$ 2,929,524 | \$ 174,568 | \$ 310,379 | \$ 5,529,171 | \$ 688,625 | \$ 40,574 | \$ 9,672,841 |
| Liabilities | | | | | | | |
| Accounts payable | \$ 52,665 | \$ - | \$ - | \$ 44,037 | \$ - | \$ - | \$ 96,702 |
| Accrued liabilities and other | - | - | - | 13,166 | 3,493 | - | 16,659 |
| Total liabilities | 52,665 | - | - | 57,203 | 3,493 | - | 113,361 |
| Deferred Inflows of Resources - Taxes levied for the following year | 791,353 | - | - | 2,047,424 | 353,497 | - | 3,192,274 |
| Total liabilities and deferred inflows of resources | 844,018 | - | - | 2,104,627 | 356,990 | - | 3,305,635 |
| Fund Balances | | | | | | | |
| Nonspendable | - | - | - | 8,233 | - | - | 8,233 |
| Restricted | 2,085,506 | 174,568 | 310,379 | 3,416,311 | 331,635 | 40,574 | 6,358,973 |
| Total fund balances | 2,085,506 | 174,568 | 310,379 | 3,424,544 | 331,635 | 40,574 | 6,367,206 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 2,929,524 | \$ 174,568 | \$ 310,379 | \$ 5,529,171 | \$ 688,625 | \$ 40,574 | \$ 9,672,841 |

Charter Township of Commerce

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

Year Ended December 31, 2021

| | Special Revenue Funds | | | | Debt Service Fund | Capital Project Fund | Total |
|---|-----------------------|-------------------|-------------------|---------------------|------------------------------------|----------------------------------|---------------------|
| | Open Space Fund | Museum Fund | Cemetery Fund | Library Fund | Special Assessment Debt Fund | Peninsular Park Paving SAD | |
| Revenue | | | | | | | |
| Property taxes and voter-approved assessments | \$ 767,812 | \$ - | \$ - | \$ 1,979,633 | \$ - | \$ - | \$ 2,747,445 |
| Special assessments | - | - | - | - | 200,535 | - | 200,535 |
| Intergovernmental | 52,145 | 145 | - | 21,000 | - | - | 73,290 |
| Charges for services | - | - | 17,410 | 2,941 | - | - | 20,351 |
| Fines and forfeitures | - | - | - | 16,628 | - | - | 16,628 |
| Licenses and permits | - | - | - | 105,811 | - | - | 105,811 |
| Interest and rentals | 9,441 | 119 | 316 | 18,632 | 10,814 | 22 | 39,344 |
| Other revenue | 117,000 | - | 9,750 | 3,290 | - | - | 130,040 |
| Total revenue | 946,398 | 264 | 27,476 | 2,147,935 | 211,349 | 22 | 3,333,444 |
| Expenditures | | | | | | | |
| Current services: | | | | | | | |
| Public works | - | - | 53,914 | - | 123,931 | 154,366 | 332,211 |
| Recreation and culture | 31,645 | - | - | 1,642,411 | - | - | 1,674,056 |
| Capital outlay | 362,294 | - | - | 12,484 | - | - | 374,778 |
| Debt service - Interest | - | - | - | - | 66,939 | - | 66,939 |
| Total expenditures | 393,939 | - | 53,914 | 1,654,895 | 190,870 | 154,366 | 2,447,984 |
| Excess of Revenue Over (Under) | | | | | | | |
| Expenditures | 552,459 | 264 | (26,438) | 493,040 | 20,479 | (154,344) | 885,460 |
| Other Financing Sources - Transfers in | - | - | 10,000 | - | - | - | 10,000 |
| Net Change in Fund Balances | 552,459 | 264 | (16,438) | 493,040 | 20,479 | (154,344) | 895,460 |
| Fund Balances - Beginning of year | 1,533,047 | 174,304 | 326,817 | 2,931,504 | 311,156 | 194,918 | 5,471,746 |
| Fund Balances - End of year | <u>\$ 2,085,506</u> | <u>\$ 174,568</u> | <u>\$ 310,379</u> | <u>\$ 3,424,544</u> | <u>\$ 331,635</u> | <u>\$ 40,574</u> | <u>\$ 6,367,206</u> |