
Charter Township of Commerce

Oakland County, Michigan

Financial Report
with Supplementary Information
December 31, 2023

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Commerce

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the 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, 2023 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, the 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, 2023 and the respective changes in its financial position and its 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Trustees
Charter Township of Commerce

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Other Supplementary 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 supplementary 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Trustees
Charter Township of Commerce

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2024 on our consideration of the Charter Township of Commerce's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter Township of Commerce's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter Township of Commerce's internal control over financial reporting and compliance.

Plante & Moran, PLLC

June 17, 2024

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, 2023.

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 approximately \$7 million as the present value of the estimated future 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 2022 tax bills to fund 2023 services was 2.8 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 \$218,821,562 at the close of the most recent fiscal year. This total net position includes \$112,789,857 related to governmental activities and \$106,031,705 related to business-type activities.

Charter Township of Commerce

Management's Discussion and Analysis (Continued)

The Township's Net Position

	Governmental Activities		
	2022	2023	Change
Assets			
Current and other assets:			
Cash and investments	\$ 66,694,375	\$ 66,672,827	\$ (21,548)
Receivables	12,722,130	14,473,964	1,751,834
Other assets	25,761,797	27,936,390	2,174,593
Capital assets	41,553,533	42,384,168	830,635
Total assets	146,731,835	151,467,349	4,735,514
Liabilities			
Current liabilities	11,276,744	3,875,424	(7,401,320)
Noncurrent liabilities	12,190,706	8,345,223	(3,845,483)
Total liabilities	23,467,450	12,220,647	(11,246,803)
Deferred Inflows of Resources	24,813,782	26,456,845	1,643,063
Net Position			
Net investment in capital assets	39,936,019	41,401,394	1,465,375
Restricted	11,954,184	13,618,928	1,664,744
Unrestricted	46,560,400	57,769,535	11,209,135
Total net position	\$ 98,450,603	\$ 112,789,857	\$ 14,339,254

	Business-type Activities		
	2022	2023	Change
Assets			
Current and other assets:			
Cash and investments	\$ 33,504,259	\$ 32,913,857	\$ (590,402)
Receivables	7,643,099	9,284,967	1,641,868
Other assets	61,815	69,695	7,880
Capital assets	99,005,318	101,473,748	2,468,430
Total assets	140,214,491	143,742,267	3,527,776
Deferred Outflows of Resources	729,635	681,376	(48,259)
Liabilities			
Current liabilities	2,145,950	2,907,972	762,022
Noncurrent liabilities	35,995,817	35,483,966	(511,851)
Total liabilities	38,141,767	38,391,938	250,171
Net Position			
Net investment in capital assets	63,739,136	66,671,158	2,932,022
Unrestricted	39,063,223	39,360,547	297,324
Total net position	\$ 102,802,359	\$ 106,031,705	\$ 3,229,346

Charter Township of Commerce

Management's Discussion and Analysis (Continued)

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

The Township's Changes in Net Position

	Governmental Activities		
	2022	2023	Change
Revenue			
Program revenue:			
Charges for services	\$ 5,761,182	\$ 5,762,835	\$ 1,653
Operating grants	438,758	359,918	(78,840)
Capital grants	1,814,117	1,179,761	(634,356)
General revenue:			
Taxes	17,835,269	19,487,057	1,651,788
Intergovernmental	4,433,795	4,333,337	(100,458)
Investment earnings	638,449	3,082,499	2,444,050
Other revenue:			
Cable franchise fees	627,925	597,718	(30,207)
Sale of capital assets	478,678	399,610	(79,068)
Change in financial estimates	9,793,963	3,277,063	(6,516,900)
Other miscellaneous revenue	267,637	74,053	(193,584)
Total revenue	42,089,773	38,553,851	(3,535,922)
Expenses			
General government	2,685,630	2,842,195	156,565
Public safety	14,081,081	13,454,564	(626,517)
Public works	3,694,988	3,977,547	282,559
Community and economic development	390,072	316,678	(73,394)
Recreation and culture	3,137,329	3,579,375	442,046
Interest	263,270	44,238	(219,032)
Total expenses	24,252,370	24,214,597	(37,773)
Change in Net Position	17,837,403	14,339,254	(3,498,149)
Net Position - Beginning of year	80,613,200	98,450,603	17,837,403
Net Position - End of year	\$ 98,450,603	\$ 112,789,857	\$ 14,339,254

	Business-type Activities		
	2022	2023	Change
Revenue			
Program revenue:			
Charges for services	\$ 18,264,652	\$ 17,695,065	\$ (569,587)
Capital grants	3,471,855	4,659,903	1,188,048
General revenue	295,874	652,181	356,307
Total revenue	22,032,381	23,007,149	974,768
Expenses			
Sewer Fund	10,543,386	12,900,057	2,356,671
Water Fund	6,789,244	6,877,746	88,502
Total expenses	17,332,630	19,777,803	2,445,173
Change in Net Position	4,699,751	3,229,346	(1,470,405)
Net Position - Beginning of year, as adjusted	98,102,608	102,802,359	4,699,751
Net Position - End of year	\$ 102,802,359	\$ 106,031,705	\$ 3,229,346

Charter Township of Commerce

Management's Discussion and Analysis (Continued)

In 2023, total primary government revenue exceeded expenses by approximately \$17.6 million. Governmental activities net position increased by \$14.3 million, and business-type activities net position increased by \$3.2 million. For governmental activities, assets increased by \$4.7 million, including significant increases to receivables and an advance to the DDA. During 2023, the Township advanced an additional \$1.5 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.

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.

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

General Fund Budgetary Highlights

During 2023, the General Fund budget did not require significant amendments, other than to increase anticipated other revenue. During the year, actual revenue was approximately \$117,000 higher than budgetary estimates largely due to state-shared revenue being higher than budgeted. Expenditures were less than budget by approximately \$2,400,000 due to ARPA expenditures in the General Fund being less than budgeted. The fund balance, on a budgetary basis, increased by \$3,089,163.

Capital Assets and Debt Administration

At the end of 2023, the Township had \$143.9 million invested in a broad range of capital assets, net of depreciation, including buildings, office equipment, fire apparatus and equipment, a wastewater treatment plant, and water and sewer lines. During 2023, the governmental activities added approximately \$2.9 million of capital assets, and the business-type activities added approximately \$7.1 million.

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 sheriff services and DDA capture.

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 2025.

Additionally, the Township has added a process to our award-winning Waste Water Treatment Plant (WWTP) that will greatly reduce the environmental footprint generated by such facilities. The Township was hauling away all the sludge from the WWTP to dump in landfills. The new Lystek system, through a sophisticated process, transforms the sludge into an injectable Class A homogenous biosolid liquid fertilizer. This significantly reduces the amount of waste put into the landfill, the costs associated with hauling the waste, and the carbon emissions caused by hauling. This system went online at the end of 2023.

Charter Township of Commerce

Management's Discussion and Analysis (Continued)

Requests for Further Information

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

Charter Township of Commerce

Statement of Net Position

December 31, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 66,672,827	\$ 32,913,857	\$ 99,586,684	\$ 1,264,292
Receivables (Note 4)	14,473,964	9,284,967	23,758,931	768,943
Prepaid expenses	212,554	69,695	282,249	15,790
Land held for resale	-	-	-	6,621,870
Capital assets: (Note 5)				
Assets not subject to depreciation	21,886,782	10,192,894	32,079,676	2,059,867
Assets subject to depreciation - Net	20,497,386	91,280,854	111,778,240	-
Long-term advance to component unit (including interest) (Notes 6 and 8)	27,723,836	-	27,723,836	-
Total assets	151,467,349	143,742,267	295,209,616	10,730,762
Deferred Outflows of Resources - Deferred charge on bond refunding	-	681,376	681,376	-
Liabilities				
Accounts payable	1,164,644	2,518,878	3,683,522	5,011
Due to primary government (Notes 6 and 8)	-	-	-	27,723,836
Refundable deposits, bonds, etc.	2,180,782	-	2,180,782	-
Accrued liabilities and other	113,170	118,754	231,924	383,130
Unearned revenue	416,828	270,340	687,168	-
Noncurrent liabilities: (Note 7)				
Due within one year	639,666	1,553,080	2,192,746	4,600,000
Due in more than one year	7,705,557	33,930,886	41,636,443	35,171,080
Total liabilities	12,220,647	38,391,938	50,612,585	67,883,057
Deferred Inflows of Resources				
Taxes and assessments levied for the following year	24,699,382	-	24,699,382	1,061,534
Deferred inflows from leases	1,757,463	-	1,757,463	-
Total deferred inflows of resources	26,456,845	-	26,456,845	1,061,534
Net Position (Deficit)				
Net investment in capital assets	41,401,394	66,671,158	108,072,552	-
Restricted:				
Sheriff	1,909,704	-	1,909,704	-
Fire	2,551,935	-	2,551,935	-
Building inspections (Note 2)	1,647,994	-	1,647,994	-
Library	4,242,998	-	4,242,998	-
Other restrictions (Note 10)	3,266,297	-	3,266,297	-
Unrestricted	57,769,535	39,360,547	97,130,082	(58,213,829)
Total net position (deficit)	\$ 112,789,857	\$ 106,031,705	\$ 218,821,562	\$ (58,213,829)

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	\$ 2,842,195	\$ 2,107,457	\$ 25,458	\$ 4,544
Public safety	13,454,564	391,212	40,670	832,298
Public works	3,977,547	3,246,084	138,425	47,919
Community and economic development	316,678	-	132,372	-
Recreation and culture	3,579,375	18,082	22,993	295,000
Interest on long-term debt	44,238	-	-	-
Total governmental activities	<u>24,214,597</u>	<u>5,762,835</u>	<u>359,918</u>	<u>1,179,761</u>
Business-type activities:				
Sewer Fund	12,900,057	10,168,098	-	4,377,871
Water Fund	6,877,746	7,526,967	-	282,032
Total business-type activities	<u>19,777,803</u>	<u>17,695,065</u>	<u>-</u>	<u>4,659,903</u>
Total primary government	<u>\$ 43,992,400</u>	<u>\$ 23,457,900</u>	<u>\$ 359,918</u>	<u>\$ 5,839,664</u>
Component units - DDA	<u>\$ 2,620,838</u>	<u>\$ -</u>	<u>\$ -</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, 2023

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (704,736)	\$ -	\$ (704,736)	\$ -
(12,190,384)	-	(12,190,384)	-
(545,119)	-	(545,119)	-
(184,306)	-	(184,306)	-
(3,243,300)	-	(3,243,300)	-
(44,238)	-	(44,238)	-
(16,912,083)	-	(16,912,083)	-
-	1,645,912	1,645,912	-
-	931,253	931,253	-
-	2,577,165	2,577,165	-
(16,912,083)	2,577,165	(14,334,918)	-
-	-	-	(2,620,838)
19,487,057	-	19,487,057	2,237,920
4,333,337	-	4,333,337	122,914
3,082,499	652,181	3,734,680	68,467
597,718	-	597,718	-
399,610	-	399,610	-
3,277,063	-	3,277,063	-
74,053	-	74,053	863,950
31,251,337	652,181	31,903,518	3,293,251
14,339,254	3,229,346	17,568,600	672,413
98,450,603	102,802,359	201,252,962	(58,886,242)
\$ 112,789,857	\$ 106,031,705	\$ 218,821,562	\$ (58,213,829)

Charter Township of Commerce

Governmental Funds Balance Sheet

December 31, 2023

	General Fund	Fire Fund	Sheriff Fund	Improvement and Building Fund	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and investments (Note 3)	\$ 33,143,720	\$ 7,623,333	\$ 6,137,846	\$ 4,064,542	\$ 15,703,386	\$ 66,672,827
Receivables (Note 4)	4,468,138	3,382,771	3,450,584	1,312,609	1,859,862	14,473,964
Advances to other funds (Note 6)	1,000,000	-	-	-	-	1,000,000
Prepaid expenses	125,336	79,921	-	-	7,297	212,554
Long-term advance to component unit (including interest) (Note 6)	27,723,836	-	-	-	-	27,723,836
Total assets	\$ 66,461,030	\$ 11,086,025	\$ 9,588,430	\$ 5,377,151	\$ 17,570,545	\$ 110,083,181
Liabilities						
Accounts payable	\$ 157,340	\$ 13,235	\$ 692,754	\$ 264,292	\$ 37,023	\$ 1,164,644
Advances from other funds (Note 6)	-	1,000,000	-	-	-	1,000,000
Refundable deposits, bonds, etc.	2,180,782	-	-	-	-	2,180,782
Accrued liabilities and other	30,785	63,903	-	-	18,482	113,170
Unearned revenue	-	250,000	79,660	87,168	-	416,828
Total liabilities	2,368,907	1,327,138	772,414	351,460	55,505	4,875,424
Deferred Inflows of Resources						
Unavailable revenue	27,723,836	-	-	-	-	27,723,836
Taxes and assessments levied for the following year	3,677,568	7,206,952	6,906,312	3,315,716	3,592,834	24,699,382
Deferred inflows from leases	1,757,463	-	-	-	-	1,757,463
Total deferred inflows of resources	33,158,867	7,206,952	6,906,312	3,315,716	3,592,834	54,180,681
Total liabilities and deferred inflows of resources	35,527,774	8,534,090	7,678,726	3,667,176	3,648,339	59,056,105
Fund Balances (Note 9)						
Nonspendable	1,125,336	79,921	-	-	7,297	1,212,554
Restricted	1,645,640	2,472,014	1,909,704	-	7,501,998	13,529,356
Committed	1,527,552	-	-	1,709,975	-	3,237,527
Assigned	1,303,961	-	-	-	6,412,911	7,716,872
Unassigned	25,330,767	-	-	-	-	25,330,767
Total fund balances	30,933,256	2,551,935	1,909,704	1,709,975	13,922,206	51,027,076
Total liabilities, deferred inflows of resources, and fund balances	\$ 66,461,030	\$ 11,086,025	\$ 9,588,430	\$ 5,377,151	\$ 17,570,545	\$ 110,083,181

Charter Township of Commerce

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

December 31, 2023

Fund Balances Reported in Governmental Funds	\$ 51,027,076
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	42,384,168
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	27,723,836
Long-term debt is not due and payable in the current period and is not reported in the funds	(982,774)
Nonexchange financial guarantee is not due and payable in the current period and is not reported in the funds	(6,942,068)
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	(420,381)
Net Position of Governmental Activities	<u>\$ 112,789,857</u>

Charter Township of Commerce

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2023

	General Fund	Fire Fund	Sheriff Fund	Improvement and Building Fund	Nonmajor Funds	Total Governmental Funds
Revenue						
Property taxes and voter-approved assessments	\$ 3,376,722	\$ 6,688,456	\$ 6,412,019	\$ -	\$ 3,009,860	\$ 19,487,057
Special assessments	-	-	-	-	47,919	47,919
Intergovernmental	4,605,335	264,469	673,936	-	302,750	5,846,490
Charges for services	592,019	236,192	154,820	3,209,298	28,313	4,220,642
Fines and forfeitures	113,066	200	-	-	11,659	124,925
Licenses and permits	1,926,402	-	-	-	101,421	2,027,823
Interest and rentals	1,647,687	203,433	203,309	114,478	441,905	2,610,812
Other revenue	144,535	369	44,537	1,766	12,227	203,434
Total revenue	12,405,766	7,393,119	7,488,621	3,325,542	3,956,054	34,569,102
Expenditures						
Current services:						
General government	2,978,907	-	-	-	-	2,978,907
Public safety	1,593,594	5,104,873	6,267,917	-	-	12,966,384
Public works	523,334	-	-	3,311,856	83,807	3,918,997
Community and economic development	316,678	-	-	-	1,500,000	1,816,678
Recreation and culture	618,751	-	-	-	2,106,051	2,724,802
Capital outlay	-	156,466	1,844,412	45,430	377,860	2,424,168
Debt service:						
Principal	-	556,740	-	-	78,000	634,740
Interest	-	35,171	-	-	9,067	44,238
Total expenditures	6,031,264	5,853,250	8,112,329	3,357,286	4,154,785	27,508,914
Excess of Revenue Over (Under) Expenditures	6,374,502	1,539,869	(623,708)	(31,744)	(198,731)	7,060,188
Other Financing Sources (Uses)						
Transfers in (Note 6)	-	-	-	250,000	2,535,000	2,785,000
Transfers out (Note 6)	(2,785,000)	-	-	-	-	(2,785,000)
Sale of capital assets	539,400	-	-	-	-	539,400
Total other financing (uses) sources	(2,245,600)	-	-	250,000	2,535,000	539,400
Net Change in Fund Balances	4,128,902	1,539,869	(623,708)	218,256	2,336,269	7,599,588
Fund Balances - Beginning of year	26,804,354	1,012,066	2,533,412	1,491,719	11,585,937	43,427,488
Fund Balances - End of year	\$ 30,933,256	\$ 2,551,935	\$ 1,909,704	\$ 1,709,975	\$ 13,922,206	\$ 51,027,076

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, 2023

Net Change in Fund Balances Reported in Governmental Funds	\$ 7,599,588
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	2,935,600
Depreciation expense	(1,965,175)
Net book value of asset disposals	(139,790)
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	2,063,548
Change in nonexchange financial guarantee does not require current financial resources and is not reported in the governmental funds	3,277,063
Payments on long-term debt are expenditures in the governmental funds but not in the statement of activities (where they reduce long-term debt)	634,740
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	<u>(66,320)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 14,339,254</u></u>

Charter Township of Commerce

Proprietary Funds Statement of Net Position

December 31, 2023

	Sewer Fund	Water Fund	Total Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 12,603,877	\$ 20,309,980	\$ 32,913,857
Receivables (Note 4)	5,904,921	2,509,846	8,414,767
Prepaid expenses	52,696	16,999	69,695
Total current assets	18,561,494	22,836,825	41,398,319
Noncurrent assets:			
Special assessment receivables - Greater than one year (Note 4)	870,200	-	870,200
Capital assets: (Note 5)			
Assets not subject to depreciation	7,310,289	2,882,605	10,192,894
Assets subject to depreciation - Net	69,033,394	22,247,460	91,280,854
Total noncurrent assets	77,213,883	25,130,065	102,343,948
Total assets	95,775,377	47,966,890	143,742,267
Deferred Outflows of Resources - Deferred charge on bond refunding	681,376	-	681,376
Liabilities			
Current liabilities:			
Accounts payable	1,406,444	1,112,434	2,518,878
Accrued liabilities and other	118,754	-	118,754
Unearned revenue	270,340	-	270,340
Current portion of bonds payable (Note 7)	1,553,080	-	1,553,080
Total current liabilities	3,348,618	1,112,434	4,461,052
Noncurrent liabilities - Bonds payable (Note 7)	33,930,886	-	33,930,886
Total liabilities	37,279,504	1,112,434	38,391,938
Net Position			
Net investment in capital assets	41,541,093	25,130,065	66,671,158
Unrestricted	17,636,156	21,724,391	39,360,547
Total net position	\$ 59,177,249	\$ 46,854,456	\$ 106,031,705

Charter Township of Commerce

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

Year Ended December 31, 2023

	Sewer Fund	Water Fund	Total Enterprise Funds
Operating Revenue			
Sale of water	\$ -	\$ 7,526,967	\$ 7,526,967
Sewage disposal charges	9,820,847	-	9,820,847
Installation fees	314,399	-	314,399
Other income	32,852	-	32,852
Total operating revenue	10,168,098	7,526,967	17,695,065
Operating Expenses			
Cost of water	-	5,321,529	5,321,529
Cost of sewage treatment	5,519,358	-	5,519,358
Other operating and maintenance costs	2,508,305	438,068	2,946,373
Depreciation	3,467,664	1,118,149	4,585,813
Total operating expenses	11,495,327	6,877,746	18,373,073
Operating (Loss) Income	(1,327,229)	649,221	(678,008)
Nonoperating Revenue (Expense)			
Investment income	255,810	396,371	652,181
Interest expense	(1,404,730)	-	(1,404,730)
Total nonoperating (expense) revenue	(1,148,920)	396,371	(752,549)
(Loss) Income - Before capital contributions	(2,476,149)	1,045,592	(1,430,557)
Capital Contributions			
Capital grants	2,878,115	-	2,878,115
Special assessments	611,647	29,750	641,397
Benefit fees	888,109	252,282	1,140,391
Total capital contributions	4,377,871	282,032	4,659,903
Change in Net Position	1,901,722	1,327,624	3,229,346
Net Position - Beginning of year	57,275,527	45,526,832	102,802,359
Net Position - End of year	\$ 59,177,249	\$ 46,854,456	\$ 106,031,705

Charter Township of Commerce

Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2023

	Sewer Fund	Water Fund	Total Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 9,903,546	\$ 7,827,734	\$ 17,731,280
Payments to suppliers	(7,583,103)	(5,685,697)	(13,268,800)
Net cash and cash equivalents provided by operating activities	2,320,443	2,142,037	4,462,480
Cash Flows from Capital and Related Financing Activities			
Receipt of capital grants	2,961,220	-	2,961,220
Special assessment collections	611,647	29,750	641,397
Benefit fees	397,733	252,282	650,015
Purchase of capital assets	(4,512,980)	(2,541,263)	(7,054,243)
Principal and interest paid on capital debt	(2,903,452)	-	(2,903,452)
Net cash and cash equivalents used in capital and related financing activities	(3,445,832)	(2,259,231)	(5,705,063)
Cash Flows Provided by Investing Activities - Interest received on investments	255,810	396,371	652,181
Net (Decrease) Increase in Cash and Cash Equivalents	(869,579)	279,177	(590,402)
Cash and Cash Equivalents - Beginning of year	13,473,456	20,030,803	33,504,259
Cash and Cash Equivalents - End of year	\$ 12,603,877	\$ 20,309,980	\$ 32,913,857
Reconciliation of Operating (Loss) Income to Net Cash and Cash Equivalents from Operating Activities			
Operating (loss) income	\$ (1,327,229)	\$ 649,221	\$ (678,008)
Adjustments to reconcile operating (loss) income to net cash and cash equivalents from operating activities:			
Depreciation	3,467,664	1,118,149	4,585,813
Changes in assets and liabilities:			
Receivables	(264,552)	300,767	36,215
Prepaid and other assets	(5,009)	(2,871)	(7,880)
Accounts payable	449,569	76,771	526,340
Total adjustments	3,647,672	1,492,816	5,140,488
Net cash and cash equivalents provided by operating activities	\$ 2,320,443	\$ 2,142,037	\$ 4,462,480

Charter Township of Commerce

**Fiduciary Funds
Statement of Fiduciary Net Position**

December 31, 2023

	Other Employee Benefit Trust Fund - Retirement Health Funding Vehicle Fund	Custodial Fund - Tax Collection Fund	Total Fiduciary Funds
Assets			
Cash and cash equivalents	\$ -	\$ 627,514	\$ 627,514
Interest in investment pool	434,918	-	434,918
Property tax receivables	-	3,286,108	3,286,108
Total assets	434,918	3,913,622	4,348,540
Liabilities - Due to other governments	-	627,514	627,514
Deferred Inflows of Resources - Taxes levied for the following year	-	3,286,108	3,286,108
Net Position - Restricted - Postemployment benefits other than pension	\$ 434,918	\$ -	\$ 434,918

Charter Township of Commerce

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2023

	Other Employee Benefit Trust Fund - Retirement Health Funding Vehicle Fund	Custodial Fund - Tax Collection Fund	Total Fiduciary Funds
Additions			
Investment income (loss):			
Net increase in fair value of investments	\$ 45,510	\$ -	\$ 45,510
Investment costs	(822)	-	(822)
Net investment income	44,688	-	44,688
Property tax collections	-	65,181,619	65,181,619
Total additions	44,688	65,181,619	65,226,307
Deductions			
Benefit payments	4,600	-	4,600
Tax distributions to other governments	-	65,181,619	65,181,619
Total deductions	4,600	65,181,619	65,186,219
Net Increase in Fiduciary Net Position	40,088	-	40,088
Net Position - Beginning of year	394,830	-	394,830
Net Position - End of year	\$ 434,918	\$ -	\$ 434,918

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 DDA's budget is subject to approval by the township board. Complete financial reports can be obtained at its 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.

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 lake weed and road dust control, snow removal, and street lighting.

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.

Prepaid Items

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)

Capital Assets

Capital assets are reported in the applicable governmental, business-type, and component unit columns 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	10-40
Buildings	5-40
Equipment	3-20
Vehicles	7-20
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, 2023, the Sheriff Fund, Fire Fund, and Sewer Fund balances of unearned revenue relate 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 bond 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.

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		✓
Deferred lease revenue		✓

Note 1 - Significant Accounting Policies (Continued)

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.

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.

Note 1 - Significant Accounting Policies (Continued)

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 an average of the five most recent amended budgets, whichever is less. An appropriation from the Budget Stabilization Fund, which also requires a two-thirds vote of the board of trustees, may occur only to correct a budget shortfall or to compensate in the case of a natural disaster. The balance of the Budget Stabilization Fund, which is reported in the General Fund, is \$1,527,552 at December 31, 2023.

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 1, 2022 and is recognized as revenue in the year ended December 31, 2023 when the proceeds of the levy are budgeted and available for the financing of operations.

The taxable valuation of the Township totaled \$2.5 billion (a portion of which is abated and a portion of which is captured by the DDA). Taxes were levied as follows:

<u>Millage</u>	<u>Millage Rate</u>	<u>Revenue</u>
General operating	2.0100 \$	4,575,000
Fire township-wide special assessment	2.8000	6,688,000
Police township-wide special assessment	2.6220	5,733,000
Library extra voted	0.6601	1,499,000
Open space extra voted	0.3662	831,000

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 \$234.11 per parcel for township-wide residential garbage collection, which is reported in these financial statements as charges for services.

Leases

The Township is a lessor for noncancelable leases of cell tower space and building space. The Township recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the Township initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Township determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts. The Township uses the actual rate charged to lessees as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Township monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Note 1 - Significant Accounting Policies (Continued)

Pension

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

Compensated Absences (PTO)

It is the Township's policy to permit employees to accumulate earned paid time off (PTO) benefits. PTO is 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.

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 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2024.

In December 2023, the Government Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. It also requires governments to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2025.

In April 2024, the Government Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which provides updated guidance impacting management's discussion and analysis; the proprietary fund statement of revenue, expenses, and changes in fund net position; major component unit information; and budgetary comparison information. The provisions of this new statement are effective for the Township's financial statements for the year ending December 31, 2026.

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, 2023	\$ 1,934,969
Current year permit revenue	1,253,900
Related expenses - Direct costs	<u>(1,540,875)</u>
Current year deficiency	<u>(286,975)</u>
Cumulative surplus at December 31, 2023	<u><u>\$ 1,647,994</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures 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 authorized nine 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 \$52,534,726 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township also reports approximately \$25.3 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.

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, 2023

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	\$ 4,445,615	0.74
U.S. government agency securities	118,786	0.73
Michigan CLASS	18,142,894	0.13
Negotiable certificates of deposit	546,068	2.74
Total	<u>\$ 23,253,363</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, 2023, 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	\$ 4,445,615	NR	N/A
U.S. government agency securities	118,786	AA+	S&P
Michigan CLASS	18,142,894	AAA	S&P
Negotiable certificates of deposit	546,068	NR	N/A
Total	<u>\$ 23,253,363</u>		

Concentration of Credit Risk

The Township places no limit on the amount it may invest in any one issuer and has no qualifying investments that exceed five percent of the Township's total investments.

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, 2023:

- The Township's investments in the Oakland County LGIP (\$4,445,615), MERS Total Market Portfolio (\$434,918), and Michigan CLASS (\$18,142,894) are measured at net asset value (NAV).

December 31, 2023

Note 3 - Deposits and Investments (Continued)

- Negotiable certificates of deposit of \$546,068 and U.S. government agency securities of \$118,786 are valued using a matrix pricing model (Level 2 inputs).

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, 2023, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Primary Government				
Oakland County Local Government Investment Pool	\$ 4,445,615	\$ -	No restrictions	None
Michigan CLASS investment pool	18,142,894	-	No restrictions	None
Fiduciary Funds				
MERS Total Market Fund	\$ 434,918	\$ -	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 of Michigan (MERS) manages the asset allocation and monitors the underlying investment managers of the MERS Total Market Portfolio.

December 31, 2023

Note 4 - Receivables

Receivables as of December 31, 2023 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	\$ 1,666,136	\$ 6,640,367	\$ 1,502,949	\$ -	\$ -	\$ 9,809,452
Special assessments receivable	-	1,312,609	198,875	870,200	-	2,381,684
Customer receivables	-	-	-	3,744,512	2,495,025	6,239,537
Leases receivable	1,879,347	-	-	-	-	1,879,347
Other receivables	198,326	188,188	158,038	21,723	-	566,275
Due from other governments	724,329	4,800	-	2,138,686	14,821	2,882,636
Total receivables	<u>\$ 4,468,138</u>	<u>\$ 8,145,964</u>	<u>\$ 1,859,862</u>	<u>\$ 6,775,121</u>	<u>\$ 2,509,846</u>	<u>\$ 23,758,931</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, 2023	Additions	Disposals and Adjustments	Balance December 31, 2023
Capital assets not being depreciated:				
Land	\$ 12,904,103	\$ -	\$ (139,790)	\$ 12,764,313
Construction in progress	6,981,198	2,141,271	-	9,122,469
Subtotal	19,885,301	2,141,271	(139,790)	21,886,782
Capital assets being depreciated:				
Buildings	19,957,784	-	-	19,957,784
Improvements	7,207,280	261,605	-	7,468,885
Machinery and equipment	9,589,120	361,094	-	9,950,214
Books and materials	1,652,539	171,630	-	1,824,169
Subtotal	38,406,723	794,329	-	39,201,052
Accumulated depreciation:				
Buildings	6,652,962	634,059	-	7,287,021
Improvements	2,395,868	397,720	-	2,793,588
Machinery and equipment	6,539,349	749,719	-	7,289,068
Books and materials	1,150,312	183,677	-	1,333,989
Subtotal	16,738,491	1,965,175	-	18,703,666
Net capital assets being depreciated	21,668,232	(1,170,846)	-	20,497,386
Net governmental activities capital assets	<u>\$ 41,553,533</u>	<u>\$ 970,425</u>	<u>\$ (139,790)</u>	<u>\$ 42,384,168</u>

December 31, 2023

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance January 1, 2023	Additions	Disposals and Adjustments	Balance December 31, 2023
Capital assets not being depreciated:				
Land	\$ 438,993	\$ -	\$ -	\$ 438,993
Construction in progress	3,066,857	6,687,044	-	9,753,901
Subtotal	3,505,850	6,687,044	-	10,192,894
Capital assets being depreciated -				
Buildings and infrastructure	181,148,228	367,199	-	181,515,427
Accumulated depreciation - Buildings and infrastructure	85,648,760	4,585,813	-	90,234,573
Net capital assets being depreciated	95,499,468	(4,218,614)	-	91,280,854
Net business-type activities capital assets	<u>\$ 99,005,318</u>	<u>\$ 2,468,430</u>	<u>\$ -</u>	<u>\$ 101,473,748</u>

Component Unit

	Balance January 1, 2023	Additions	Disposals and Adjustments	Balance December 31, 2023
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	\$ 224,624	
Public safety	748,727	
Public works	13,120	
Recreation and culture	978,704	
Total governmental activities	<u>\$ 1,965,175</u>	
Business-type activities:		
Sewer	\$ 3,467,664	
Water	1,118,149	
Total business-type activities	<u>\$ 4,585,813</u>	

December 31, 2023

Note 5 - Capital Assets (Continued)

Construction Commitments

The Township has multiple significant active construction projects at year end. The approximate amount spent to date and remaining commitment on those active construction projects is as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Lystek system implementation	\$ 4,132,000	\$ 746,000
Benstein water main phase 1	2,541,000	406,000
OCSD substation buildout	1,998,000	77,000
Library generator	100,000	110,000
Victory park improvement	2,000	76,000
	<u>\$ 8,773,000</u>	<u>\$ 1,415,000</u>
Total	<u>\$ 8,773,000</u>	<u>\$ 1,415,000</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The General Fund has made a long-term advance to the Fire Fund. The \$1,000,000 outstanding is expected to be repaid in equal installments of \$500,000 in 2024 and 2025.

The balance of amounts loaned to the discretely presented component unit, including \$1.5 million loaned in 2023 and accrued interest, is as follows:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General Fund	Downtown Development Authority	\$ 27,723,836

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:

<u>Paying Fund (Transfer Out)</u>	<u>Receiving Fund (Transfer In)</u>	<u>Amount</u>
General Fund	Improvement and Building Fund	\$ 250,000
	Nonmajor governmental funds	<u>2,535,000</u>
	Total General Fund	<u>\$ 2,785,000</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. Specifically, the General Fund transferred \$2,500,000 to the Debt Sinking Fund to set aside for cash in the event the Downtown Development Authority requires additional resources to make the debt service payments guaranteed by the Township.

December 31, 2023

Note 7 - Long-term Debt

Long-term debt activity for the year ended December 31, 2023 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
General obligation special assessment bonds - Direct borrowing	\$ 598,000	\$ -	\$ (78,000)	\$ 520,000	\$ 77,000
Installment purchases - Direct borrowings	1,019,514	-	(556,740)	462,774	462,774
Compensated absences	354,061	545,259	(478,939)	420,381	99,892
Nonexchange financial guarantee (Note 8)	10,219,131	-	(3,277,063)	6,942,068	-
Total governmental activities long-term debt	<u>\$ 12,190,706</u>	<u>\$ 545,259</u>	<u>\$ (4,390,742)</u>	<u>\$ 8,345,223</u>	<u>\$ 639,666</u>

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Other debt:					
2016 Capital Improvement Refunding Bonds	\$ 21,080,000	\$ -	\$ (925,000)	\$ 20,155,000	\$ 965,000
2017 Capital Improvement Refunding Bonds	9,105,000	-	(25,000)	9,080,000	25,000
2019 Capital Improvement Refunding Bonds	3,605,000	-	(440,000)	3,165,000	465,000
Total other debt outstanding	33,790,000	-	(1,390,000)	32,400,000	1,455,000
Direct borrowings and direct placements - Clean Water State Revolving Funds Project 5550-01	674,804	-	(55,000)	619,804	55,000
Direct borrowings and direct placements - Clean Water State Revolving Funds Project 5760-01	-	1,030,222	-	1,030,222	43,080
Unamortized bond premiums	1,531,013	-	(97,073)	1,433,940	-
Total business-type activities long-term debt	<u>\$ 35,995,817</u>	<u>\$ 1,030,222</u>	<u>\$ (1,542,073)</u>	<u>\$ 35,483,966</u>	<u>\$ 1,553,080</u>

December 31, 2023

Note 7 - Long-term Debt (Continued)

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	\$ 15,230,000	\$ -	\$ (2,160,000)	\$ 13,070,000	\$ 2,340,000
2016 Downtown Development Authority Limited Tax General Obligation Bonds Series 2016-B	800,000	-	(510,000)	290,000	290,000
2019 Downtown Development Authority Limited Tax General Obligation Bonds Series 2019	27,410,000	-	(1,920,000)	25,490,000	1,970,000
Total other debt principal outstanding	43,440,000	-	(4,590,000)	38,850,000	4,600,000
Unamortized bond premiums	1,073,302	-	(152,222)	921,080	-
Total component unit long-term debt	<u>\$ 44,513,302</u>	<u>\$ -</u>	<u>\$ (4,742,222)</u>	<u>\$ 39,771,080</u>	<u>\$ 4,600,000</u>

The Township had deferred outflows of \$681,376 related to deferred charges on bond refundings at December 31, 2023.

December 31, 2023

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, 2023 are as follows:

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
Governmental Activities				
Special assessment bonds	2020	1.55%	2030	\$ 520,000
Business-type Activities				
Clean Water State Revolving Funds (direct borrowing)	2013	2.0%	2033	\$ 619,804
Clean Water State Revolving Funds (direct borrowing)	2023	1.88%	2028	1,030,222
Capital improvement refunding bonds (other debt)	2016	3.0 - 5.0%	2038	20,155,000
Capital improvement refunding bonds (other debt)	2017	4.0%	2039	9,080,000
Capital improvement refunding bonds (other debt)	2019	4.0%	2029	3,165,000
Total business-type activities				\$ 34,050,026
Component Unit				
Series 2016-A LTGO bonds	2016	5.0%	2028	\$ 13,070,000
Series 2016-B LTGO bonds	2016	2.48 - 2.63%	2024	290,000
Series 2019 LTGO bonds	2019	2.74 - 3.85%	2034	25,490,000
Total component unit				\$ 38,850,000

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 agreements for financing the purchase of fire apparatuses. Payments are due through 2024, and agreements include interest rates of 2.7 to 3.0 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:

Governmental Activities					
Years Ending December 31	Direct Borrowings				
	Principal	Interest	Total		
2024	\$ 539,774	\$ 21,896	\$ 561,670		
2025	76,000	6,867	82,867		
2026	74,000	5,689	79,689		
2027	74,000	4,542	78,542		
2028	74,000	3,395	77,395		
2029-2033	145,000	3,364	148,364		
2034-2038	-	-	-		
2039-2043	-	-	-		
Total	<u>\$ 982,774</u>	<u>\$ 45,753</u>	<u>\$ 1,028,527</u>		
Business-type Activities					
Years Ending December 31	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2024	\$ 98,080	\$ 31,712	\$ 1,455,000	\$ 1,387,856	\$ 2,972,648
2025	104,020	29,805	1,530,000	1,320,006	2,983,831
2026	104,955	27,780	1,620,000	1,248,606	3,001,341
2027	105,890	25,737	1,700,000	1,173,006	3,004,633
2028	105,890	23,676	1,780,000	1,093,656	3,003,222
2029-2033	568,314	86,523	10,495,000	4,217,481	15,367,318
2034-2038	266,920	42,936	12,745,000	2,006,000	15,060,856
2039-2043	295,957	16,859	1,075,000	43,000	1,430,816
Total	<u>\$ 1,650,026</u>	<u>\$ 285,028</u>	<u>\$ 32,400,000</u>	<u>\$ 12,489,611</u>	<u>\$ 46,824,665</u>
Component Unit Activities					
Years Ending December 31	Other Debt				
	Principal	Interest	Total		
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	4,915,000	898,912	5,813,912		
2028	4,980,000	691,923	5,671,923		
2029-2033	12,300,000	1,915,374	14,215,374		
2034-2038	2,740,000	105,572	2,845,572		
2039-2043	-	-	-		
Total	<u>\$ 38,850,000</u>	<u>\$ 7,471,606</u>	<u>\$ 46,321,606</u>		

December 31, 2023

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 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. To date, the Township has advanced \$25,650,000 to the DDA, plus \$2,073,836 of accrued interest, resulting in a receivable owed to the Township of \$27,723,836. 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, 2023, the Township has recorded an estimated liability for this financial guarantee of \$6,942,068. This reflects a decrease of \$3,277,063 as a result of \$1,500,000 being advanced to the DDA in 2023, as well as an increase in projected DDA captures in future years.

December 31, 2023

Note 9 - Fund Balance Constraints

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

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Sheriff Fund</u>	<u>Improvement and Building Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Nonspendable:						
Prepays	\$ 125,336	\$ 79,921	\$ -	\$ -	\$ 7,297	\$ 212,554
Long-term advance	1,000,000	-	-	-	-	1,000,000
Total nonspendable	1,125,336	79,921	-	-	7,297	1,212,554
Restricted:						
Sheriff	-	-	1,909,704	-	-	1,909,704
Fire	-	2,472,014	-	-	-	2,472,014
Building inspections	1,645,640	-	-	-	-	1,645,640
Library	-	-	-	-	4,235,701	4,235,701
Open space acquisitions, maintenance, and improvements	-	-	-	-	2,418,946	2,418,946
Museum	-	-	-	-	177,750	177,750
Cemetery	-	-	-	-	307,696	307,696
Special assessments	-	-	-	-	361,905	361,905
Total restricted	1,645,640	2,472,014	1,909,704	-	7,501,998	13,529,356
Committed:						
Budget stabilization	1,527,552	-	-	-	-	1,527,552
Improvement and building	-	-	-	1,709,975	-	1,709,975
Total committed	1,527,552	-	-	1,709,975	-	3,237,527
Assigned:						
DDA debt support	-	-	-	-	6,412,911	6,412,911
Road improvements	1,303,834	-	-	-	-	1,303,834
Retiree health care	127	-	-	-	-	127
Total assigned	1,303,961	-	-	-	6,412,911	7,716,872
Unassigned	25,330,767	-	-	-	-	25,330,767
Total fund balances	\$ 30,933,256	\$ 2,551,935	\$ 1,909,704	\$ 1,709,975	\$ 13,922,206	\$ 51,027,076

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	\$ 2,418,946
Museum	177,750
Cemetery	307,696
Special assessment	361,905
Total other restrictions	\$ 3,266,297

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, 2023, expense was approximately \$558,000. 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, 2023, there were no retirees eligible for health insurance benefits, and \$4,600 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 \$434,918 at December 31, 2023. The plan does not issue a separate financial report and is included in the Township's basic financial statements in fiduciary funds statements.

Note 13 - Risk Management

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

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

Note 14 - Leases

The Township leases cell tower space and building space to various third parties. Payments are generally due annually based on a fixed payment schedule that includes annual increases.

During the year ended December 31, 2023, the Township recognized the following related to its lessor agreements:

Lease revenue	\$	123,283
Interest income related to its leases		57,318

Required Supplementary Information

Charter Township of Commerce

Required Supplementary Information Budgetary Comparison Schedule General Fund

Year Ended December 31, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 3,347,117	\$ 3,361,141	\$ 3,376,722	\$ 15,581
Intergovernmental:				
Federal grants	50,000	132,350	132,372	22
State sources:				
State-shared revenue	4,114,120	4,015,000	4,315,707	300,707
Local Community Stabilization Authority	45,000	30,000	39,470	9,470
Other state aid	9,600	9,600	13,714	4,114
Local grants and contributions	1,300	85,375	104,072	18,697
Charges for services	384,177	564,111	592,019	27,908
Fines and forfeitures	50,000	88,000	113,066	25,066
Licenses and permits	521,500	671,500	672,502	1,002
Interest and rentals	200,000	1,240,090	1,518,821	278,731
Other revenue	56,500	699,375	134,820	(564,555)
Total revenue	8,779,314	10,896,542	11,013,285	116,743
Expenditures				
Current services:				
General government:				
Governing body	36,950	39,700	33,348	6,352
Supervisor	150,005	150,005	142,856	7,149
Finance/Human resources	273,347	316,682	251,026	65,656
Information technology	241,354	241,354	199,514	41,840
Treasurer	430,580	430,580	381,594	48,986
Assessing	360,200	370,200	369,770	430
Board of review	5,500	5,500	4,313	1,187
Clerk	470,387	470,387	381,574	88,813
Building and grounds maintenance	221,080	369,500	374,177	(4,677)
Attorney	300,000	300,000	307,185	(7,185)
Elections	99,325	115,565	41,700	73,865
Township hall - General services	268,390	281,694	230,191	51,503
Other	123,950	1,902,180	255,468	1,646,712
Public safety - Ordinance enforcement	68,705	68,705	52,719	15,986
Public works:				
Street lighting	25,000	25,000	30,501	(5,501)
Maintenance department	437,557	491,557	398,383	93,174
Transportation services	144,000	144,000	64,450	79,550
Community and economic development:				
Planning	337,152	337,152	310,330	26,822
CDBG	50,000	6,348	6,348	-
Recreation and culture - Parks and recreation	713,009	760,009	618,751	141,258
Total expenditures	4,756,491	6,826,118	4,454,198	2,371,920
Excess of Revenue Over Expenditures	4,022,823	4,070,424	6,559,087	2,488,663

Charter Township of Commerce

Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Continued)

Year Ended December 31, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Other Financing (Uses) Sources				
Transfers out	\$ (2,885,000)	\$ (3,635,000)	\$ (3,035,000)	\$ 600,000
Sale of capital assets	2,000	538,900	539,400	500
Total other financing uses	<u>(2,883,000)</u>	<u>(3,096,100)</u>	<u>(2,495,600)</u>	<u>600,500</u>
Net Change in Fund Balance	1,139,823	974,324	4,063,487	3,089,163
Fund Balance - Beginning of year	<u>22,307,780</u>	<u>22,307,780</u>	<u>22,307,780</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 23,447,603</u>	<u>\$ 23,282,104</u>	<u>\$ 26,371,267</u>	<u>\$ 3,089,163</u>

Charter Township of Commerce

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

Year Ended December 31, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 6,693,859	\$ 6,693,859	\$ 6,688,456	\$ (5,403)
Intergovernmental	-	262,184	264,469	2,285
Charges for services	125,200	175,200	236,192	60,992
Fines and forfeitures	-	-	200	200
Interest and rentals	12,000	170,000	203,433	33,433
Other revenue	500	500	369	(131)
Total revenue	6,831,559	7,301,743	7,393,119	91,376
Expenditures				
Public safety	5,226,438	5,239,938	5,104,873	135,065
Capital outlay	294,681	450,000	156,466	293,534
Debt service	122,549	122,549	591,911	(469,362)
Total expenditures	5,643,668	5,812,487	5,853,250	(40,763)
Excess of Revenue Over Expenses	1,187,891	1,489,256	1,539,869	50,613
Other Financing Sources - Transfers in	-	250,000	-	(250,000)
Net Change in Fund Balance	1,187,891	1,739,256	1,539,869	(199,387)
Fund Balance - Beginning of year	1,012,066	1,012,066	1,012,066	-
Fund Balance - End of year	<u>\$ 2,199,957</u>	<u>\$ 2,751,322</u>	<u>\$ 2,551,935</u>	<u>\$ (199,387)</u>

Charter Township of Commerce

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

Year Ended December 31, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 6,417,267	\$ 6,355,293	\$ 6,412,019	\$ 56,726
Intergovernmental	-	669,850	673,936	4,086
Charges for services	283,916	181,500	154,820	(26,680)
Interest and rentals	18,000	170,000	203,309	33,309
Other revenue	30,000	30,000	44,537	14,537
Total revenue	6,749,183	7,406,643	7,488,621	81,978
Expenditures				
Public safety	6,429,215	6,429,215	6,267,917	161,298
Capital outlay	-	1,875,000	1,844,412	30,588
Total expenditures	6,429,215	8,304,215	8,112,329	191,886
Other Financing Sources - Transfers in	-	79,660	-	(79,660)
Net Change in Fund Balance	319,968	(817,912)	(623,708)	194,204
Fund Balance - Beginning of year	2,533,412	2,533,412	2,533,412	-
Fund Balance - End of year	<u>\$ 2,853,380</u>	<u>\$ 1,715,500</u>	<u>\$ 1,909,704</u>	<u>\$ 194,204</u>

Charter Township of Commerce

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

Year Ended December 31, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Charges for services	\$ 3,174,640	\$ 3,174,640	\$ 3,209,298	\$ 34,658
Interest and rentals	5,000	86,000	114,478	28,478
Other revenue	-	-	1,766	1,766
Total revenue	3,179,640	3,260,640	3,325,542	64,902
Expenditures				
Public works	3,242,149	3,312,956	3,311,856	1,100
Capital outlay	20,000	45,430	45,430	-
Total expenditures	3,262,149	3,358,386	3,357,286	1,100
Excess of Expenditures Over Revenue	(82,509)	(97,746)	(31,744)	66,002
Other Financing Sources - Transfers in	250,000	250,000	250,000	-
Net Change in Fund Balance	167,491	152,254	218,256	66,002
Fund Balance - Beginning of year	1,491,719	1,491,719	1,491,719	-
Fund Balance - End of year	<u>\$ 1,659,210</u>	<u>\$ 1,643,973</u>	<u>\$ 1,709,975</u>	<u>\$ 66,002</u>

Charter Township of Commerce

Notes to Required Supplementary Information

December 31, 2023

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	\$ 12,405,766	\$ 6,031,264	\$ 30,933,256	\$ (2,245,600)
Building and Inspection Fund	(1,253,900)	(1,540,875)	(1,647,994)	-
Road Improvements Fund	(49,789)	(30,000)	(1,303,834)	(100,000)
Retiree Health Care Plan	(6,310)	(6,191)	(127)	-
Budget Stabilization Fund	-	-	(1,527,552)	(150,000)
Trust and Agency Fund	(82,482)	-	(82,482)	-
Amounts per budget statement	<u>\$ 11,013,285</u>	<u>\$ 4,454,198</u>	<u>\$ 26,371,267</u>	<u>\$ (2,495,600)</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 - General government - Building and grounds maintenance	\$ 369,500	\$ 374,177	\$ (4,677)
General Fund - General government - Attorney	300,000	307,185	(7,185)
General Fund - Public works - Street lighting	25,000	30,501	(5,501)
Fire Fund - Debt service	122,549	591,911	(469,362)

Other Supplementary Information

Charter Township of Commerce

Other Supplementary Information Combining Balance Sheet General Fund

December 31, 2023

	General Fund, as Budgeted	Building and Inspection Fund	Road Improvements Fund	Retiree Health Care Plan	Budget Stabilization Fund	Trust and Agency Fund	Total
Assets							
Cash and investments	\$ 26,488,258	\$ 1,758,664	\$ 1,303,834	\$ 127	\$ 1,527,552	\$ 2,065,285	\$ 33,143,720
Receivables:							
Property taxes receivable	1,666,136	-	-	-	-	-	1,666,136
Leases receivable	1,879,347	-	-	-	-	-	1,879,347
Other receivables	198,326	-	-	-	-	-	198,326
Due from other governments	724,329	-	-	-	-	-	724,329
Advances to other funds	1,000,000	-	-	-	-	-	1,000,000
Prepaid expenses	122,982	2,354	-	-	-	-	125,336
Long-term advance to component unit (including interest)	27,723,836	-	-	-	-	-	27,723,836
Total assets	<u>\$ 59,803,214</u>	<u>\$ 1,761,018</u>	<u>\$ 1,303,834</u>	<u>\$ 127</u>	<u>\$ 1,527,552</u>	<u>\$ 2,065,285</u>	<u>\$ 66,461,030</u>
Liabilities							
Accounts payable	\$ 40,530	\$ 112,206	\$ -	\$ -	\$ -	\$ 4,604	\$ 157,340
Refundable deposits	202,583	-	-	-	-	1,978,199	2,180,782
Accrued liabilities and other	29,967	818	-	-	-	-	30,785
Total liabilities	273,080	113,024	-	-	-	1,982,803	2,368,907
Deferred Inflows of Resources							
Unavailable revenue	27,723,836	-	-	-	-	-	27,723,836
Taxes and assessments levied for the following year	3,677,568	-	-	-	-	-	3,677,568
Deferred inflows from leases	1,757,463	-	-	-	-	-	1,757,463
Total deferred inflows of resources	<u>33,158,867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,158,867</u>
Total liabilities and deferred inflows of resources	33,431,947	113,024	-	-	-	1,982,803	35,527,774
Fund Balances							
Nonspendable	1,122,982	2,354	-	-	-	-	1,125,336
Restricted	-	1,645,640	-	-	-	-	1,645,640
Committed	-	-	-	-	1,527,552	-	1,527,552
Assigned	-	-	1,303,834	127	-	-	1,303,961
Unassigned	25,248,285	-	-	-	-	82,482	25,330,767
Total fund balances	<u>26,371,267</u>	<u>1,647,994</u>	<u>1,303,834</u>	<u>127</u>	<u>1,527,552</u>	<u>82,482</u>	<u>30,933,256</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 59,803,214</u>	<u>\$ 1,761,018</u>	<u>\$ 1,303,834</u>	<u>\$ 127</u>	<u>\$ 1,527,552</u>	<u>\$ 2,065,285</u>	<u>\$ 66,461,030</u>

Charter Township of Commerce

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

Year Ended December 31, 2023

	General Fund, as Budgeted	Building and Inspection Fund	Road Improvements Fund	Retiree Health Care Plan	Budget Stabilization Fund	Trust and Agency Fund	Total
Revenue							
Property taxes and voter-approved assessments	\$ 3,376,722	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,376,722
Intergovernmental:							
Federal grants	132,372	-	-	-	-	-	132,372
State sources:							
State-shared revenue	4,315,707	-	-	-	-	-	4,315,707
Local Community Stabilization Authority	39,470	-	-	-	-	-	39,470
Other state aid	13,714	-	-	-	-	-	13,714
Local grants and contributions	104,072	-	-	-	-	-	104,072
Charges for services	592,019	-	-	-	-	-	592,019
Fines and forfeitures	113,066	-	-	-	-	-	113,066
Licenses and permits	672,502	1,253,900	-	-	-	-	1,926,402
Interest and rentals	1,518,821	-	46,384	-	-	82,482	1,647,687
Other revenue	134,820	-	3,405	6,310	-	-	144,535
Total revenue	11,013,285	1,253,900	49,789	6,310	-	82,482	12,405,766
Expenditures							
Current services:							
General government	2,972,716	-	-	6,191	-	-	2,978,907
Public safety	52,719	1,540,875	-	-	-	-	1,593,594
Public works	493,334	-	30,000	-	-	-	523,334
Community and economic development	316,678	-	-	-	-	-	316,678
Recreation and culture	618,751	-	-	-	-	-	618,751
Total expenditures	4,454,198	1,540,875	30,000	6,191	-	-	6,031,264
Excess of Revenue Over (Under) Expenditures	6,559,087	(286,975)	19,789	119	-	82,482	6,374,502
Other Financing (Uses) Sources							
Transfers (out) in	(3,035,000)	-	100,000	-	150,000	-	(2,785,000)
Sale of capital assets	539,400	-	-	-	-	-	539,400
Total other financing (uses) sources	(2,495,600)	-	100,000	-	150,000	-	(2,245,600)
Net Change in Fund Balances	4,063,487	(286,975)	119,789	119	150,000	82,482	4,128,902
Fund Balances - Beginning of year	22,307,780	1,934,969	1,184,045	8	1,377,552	-	26,804,354
Fund Balances - End of year	\$ 26,371,267	\$ 1,647,994	\$ 1,303,834	\$ 127	\$ 1,527,552	\$ 82,482	\$ 30,933,256

Charter Township of Commerce

Other Supplementary Information Combining Balance Sheet Nonmajor Governmental Funds

December 31, 2023

	Special Revenue Funds				Debt Service Fund		Total
	Open Space Fund	Museum Fund	Cemetery Fund	Library Fund	Debt Sinking Fund	Special Assessment Debt Fund	
Assets							
Cash and investments	\$ 2,909,599	\$ 177,750	\$ 307,696	\$ 5,527,207	\$ 6,412,911	\$ 368,223	\$ 15,703,386
Receivables	568,066	-	-	1,090,861	-	200,935	1,859,862
Prepaid expenses	-	-	-	7,297	-	-	7,297
Total assets	<u>\$ 3,477,665</u>	<u>\$ 177,750</u>	<u>\$ 307,696</u>	<u>\$ 6,625,365</u>	<u>\$ 6,412,911</u>	<u>\$ 569,158</u>	<u>\$ 17,570,545</u>
Liabilities							
Accounts payable	\$ 13,552	\$ -	\$ -	\$ 23,471	\$ -	\$ -	\$ 37,023
Accrued liabilities and other	-	-	-	17,139	-	1,343	18,482
Total liabilities	13,552	-	-	40,610	-	1,343	55,505
Deferred Inflows of Resources - Taxes levied for the following year	1,045,167	-	-	2,341,757	-	205,910	3,592,834
Total liabilities and deferred inflows of resources	1,058,719	-	-	2,382,367	-	207,253	3,648,339
Fund Balances							
Nonspendable	-	-	-	7,297	-	-	7,297
Restricted	2,418,946	177,750	307,696	4,235,701	-	361,905	7,501,998
Assigned	-	-	-	-	6,412,911	-	6,412,911
Total fund balances	2,418,946	177,750	307,696	4,242,998	6,412,911	361,905	13,922,206
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,477,665</u>	<u>\$ 177,750</u>	<u>\$ 307,696</u>	<u>\$ 6,625,365</u>	<u>\$ 6,412,911</u>	<u>\$ 569,158</u>	<u>\$ 17,570,545</u>

Charter Township of Commerce

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

Year Ended December 31, 2023

	Special Revenue Funds				Debt Service Fund		Total
	Open Space Fund	Museum Fund	Cemetery Fund	Library Fund	Debt Sinking Fund	Special Assessment Debt Fund	
Revenue							
Property taxes and voter-approved assessments	\$ 831,457	\$ -	\$ -	\$ 2,178,403	\$ -	\$ -	\$ 3,009,860
Special assessments	-	-	-	-	-	47,919	47,919
Intergovernmental	296,667	170	-	5,913	-	-	302,750
Charges for services	-	-	21,890	6,423	-	-	28,313
Fines and forfeitures	-	-	-	11,659	-	-	11,659
Licenses and permits	-	-	-	101,421	-	-	101,421
Interest and rentals	73,450	6,477	11,934	161,441	170,146	18,457	441,905
Other revenue	-	-	6,180	6,047	-	-	12,227
Total revenue	1,201,574	6,647	40,004	2,471,307	170,146	66,376	3,956,054
Expenditures							
Current services:							
Public works	-	-	83,807	-	-	-	83,807
Community and economic development	-	-	-	-	1,500,000	-	1,500,000
Recreation and culture	67,794	-	-	2,038,257	-	-	2,106,051
Capital outlay	333,696	4,997	-	39,167	-	-	377,860
Debt service:							
Principal	-	-	-	-	-	78,000	78,000
Interest	-	-	-	-	-	9,067	9,067
Total expenditures	401,490	4,997	83,807	2,077,424	1,500,000	87,067	4,154,785
Excess of Revenue Over (Under)							
Expenditures	800,084	1,650	(43,803)	393,883	(1,329,854)	(20,691)	(198,731)
Other Financing Sources - Transfers in	-	-	35,000	-	2,500,000	-	2,535,000
Net Change in Fund Balances	800,084	1,650	(8,803)	393,883	1,170,146	(20,691)	2,336,269
Fund Balances - Beginning of year	1,618,862	176,100	316,499	3,849,115	5,242,765	382,596	11,585,937
Fund Balances - End of year	\$ 2,418,946	\$ 177,750	\$ 307,696	\$ 4,242,998	\$ 6,412,911	\$ 361,905	\$ 13,922,206