
Charter Township of Commerce

Oakland County, Michigan

Financial Report
with Supplementary Information
December 31, 2024

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Commerce

Opinions

We have audited the financial statements of the governmental activities, 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, 2024 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, 2024 and the respective changes in its financial position and, where applicable, 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) *Government Auditing Standards*. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

To the Board of Trustees
Charter Township of Commerce

In performing an audit in accordance with GAAS, we:

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

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

Required 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.

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

Plante & Moran, PLLC

June 17, 2025

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, 2024.

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 \$3.5 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 \$238,352,475 at the close of the most recent fiscal year. This total net position includes \$127,700,586 related to governmental activities and \$110,651,889 related to business-type activities.

Charter Township of Commerce

Management's Discussion and Analysis (Continued)

The Township's Net Position

	Governmental Activities		
	2023	2024	Change
Assets			
Current and other assets:			
Cash and investments	\$ 66,672,856	\$ 73,597,994	\$ 6,925,138
Receivables	14,473,964	15,933,620	1,459,656
Other assets	27,936,390	31,625,595	3,689,205
Capital assets	42,384,168	43,348,680	964,512
Total assets	151,467,378	164,505,889	13,038,511
Liabilities			
Current liabilities	3,875,453	4,683,372	807,919
Noncurrent liabilities	8,345,223	4,308,518	(4,036,705)
Total liabilities	12,220,676	8,991,890	(3,228,786)
Deferred Inflows of Resources	26,456,845	27,813,413	1,356,568
Net Position			
Net investment in capital assets	41,401,394	42,905,680	1,504,286
Restricted	13,618,928	15,176,098	1,557,170
Unrestricted	57,769,535	69,618,808	11,849,273
Total net position	\$ 112,789,857	\$ 127,700,586	\$ 14,910,729

	Business-type Activities		
	2023	2024	Change
Assets			
Current and other assets:			
Cash and investments	\$ 32,913,857	\$ 38,147,515	\$ 5,233,658
Receivables	9,284,967	8,355,069	(929,898)
Other assets	69,695	177,076	107,381
Capital assets	101,473,748	99,188,144	(2,285,604)
Total assets	143,742,267	145,867,804	2,125,537
Deferred Outflows of Resources	681,376	633,118	(48,258)
Liabilities			
Current liabilities	2,907,972	1,423,829	(1,484,143)
Noncurrent liabilities	35,483,966	34,425,204	(1,058,762)
Total liabilities	38,391,938	35,849,033	(2,542,905)
Net Position			
Net investment in capital assets	66,671,158	65,396,058	(1,275,100)
Unrestricted	39,360,547	45,255,831	5,895,284
Total net position	\$ 106,031,705	\$ 110,651,889	\$ 4,620,184

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		
	2023	2024	Change
Revenue			
Program revenue:			
Charges for services	\$ 5,762,835	\$ 6,387,293	\$ 624,458
Operating grants	359,918	414,093	54,175
Capital grants	1,179,761	1,124,565	(55,196)
General revenue:			
Taxes	19,487,057	20,960,305	1,473,248
Intergovernmental	4,333,337	4,305,114	(28,223)
Investment earnings	3,082,499	3,647,451	564,952
Other revenue:			
Cable franchise fees	597,718	540,326	(57,392)
Sale of capital assets	399,610	-	(399,610)
Change in financial estimates	3,277,063	3,446,033	168,970
Other miscellaneous revenue	74,053	486,006	411,953
Total revenue	38,553,851	41,311,186	2,757,335
Expenses			
General government	2,842,195	2,803,250	(38,945)
Public safety	13,454,564	15,737,998	2,283,434
Public works	3,977,547	3,872,650	(104,897)
Community and economic development	316,678	300,490	(16,188)
Recreation and culture	3,579,375	3,664,372	84,997
Interest	44,238	21,697	(22,541)
Total expenses	24,214,597	26,400,457	2,185,860
Change in Net Position	14,339,254	14,910,729	571,475
Net Position - Beginning of year	98,450,603	112,789,857	14,339,254
Net Position - End of year	\$ 112,789,857	\$ 127,700,586	\$ 14,910,729

	Business-type Activities		
	2023	2024	Change
Revenue			
Program revenue:			
Charges for services	\$ 17,695,065	\$ 19,452,450	\$ 1,757,385
Capital grants	4,659,903	2,900,755	(1,759,148)
General revenue	652,181	1,276,966	624,785
Total revenue	23,007,149	23,630,171	623,022
Expenses			
Sewer Fund	12,900,057	11,904,604	(995,453)
Water Fund	6,877,746	7,105,383	227,637
Total expenses	19,777,803	19,009,987	(767,816)
Change in Net Position	3,229,346	4,620,184	1,390,838
Net Position - Beginning of year, as adjusted	102,802,359	106,031,705	3,229,346
Net Position - End of year	\$ 106,031,705	\$ 110,651,889	\$ 4,620,184

Charter Township of Commerce

Management's Discussion and Analysis (Continued)

In 2024, total primary government revenue exceeded expenses by approximately \$19.5 million. Governmental activities net position increased by \$14.9 million, and business-type activities net position increased by \$4.6 million. For governmental activities, assets increased by \$13 million, including significant increases to cash and investments and receivables and an advance to the DDA. During 2024, the Township advanced an additional \$3.1 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 2024, the General Fund budget did not require significant amendments, other than to increase anticipated interest and rental revenue. During the year, actual revenue was approximately \$253,000 higher than budgetary estimates largely due to higher interest income and license and permit revenue than budgeted. Expenditures were less than budget by approximately \$334,000 primarily due to personnel costs in the General Fund being less than budgeted. The fund balance, on a budgetary basis, increased by \$4,410,243.

Capital Assets and Debt Administration

At the end of 2024, the Township had \$142.5 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 2024, the governmental activities added approximately \$3.2 million of capital assets, and the business-type activities added approximately \$2.5 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 beginning of construction on this project started in late 2024 with water and sewer infrastructure at the site, as well as the beginning of an apartment complex and two new car dealerships.

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 used to haul away the sludge from the WWTP to dump in landfills. The new Lystek system transforms, through a sophisticated process, the sludge into an injectable Class A homogenous bio-solid liquid fertilizer. This has reduced the amount of waste put into the landfill, the costs associated with hauling the waste, and the carbon emissions caused by hauling. Additionally, the bio-solid will be sold through a distributor to generate income that can also help offset the remaining hauling costs. This system was fully operational at the end of 2024.

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, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 73,597,994	\$ 38,147,515	\$ 111,745,509	\$ 884,708
Receivables (Note 4)	15,933,620	8,355,069	24,288,689	909,760
Prepaid expenses	314,287	177,076	491,363	6,288
Land held for resale	-	-	-	6,582,955
Capital assets: (Note 5)				
Assets not subject to depreciation	13,790,399	541,536	14,331,935	2,059,867
Assets subject to depreciation - Net	29,558,281	98,646,608	128,204,889	-
Long-term advance to component unit (including interest) (Notes 6 and 8)	31,311,308	-	31,311,308	-
Total assets	164,505,889	145,867,804	310,373,693	10,443,578
Deferred Outflows of Resources - Deferred charge on bond refunding				
	-	633,118	633,118	-
Liabilities				
Accounts payable	2,186,006	1,302,500	3,488,506	9,586
Due to primary government (Notes 6 and 8)	-	-	-	31,311,308
Refundable deposits, bonds, etc.	1,614,144	-	1,614,144	-
Accrued liabilities and other	164,620	121,329	285,949	337,976
Unearned revenue	718,602	-	718,602	-
Noncurrent liabilities: (Note 7)				
Due within one year	93,941	1,630,000	1,723,941	4,585,000
Due in more than one year	4,214,577	32,795,204	37,009,781	30,421,173
Total liabilities	8,991,890	35,849,033	44,840,923	66,665,043
Deferred Inflows of Resources				
Taxes and assessments levied for the following year	26,179,233	-	26,179,233	1,226,340
Deferred inflows from leases	1,634,180	-	1,634,180	-
Total deferred inflows of resources	27,813,413	-	27,813,413	1,226,340
Net Position (Deficit)				
Net investment in capital assets	42,905,680	65,396,058	108,301,738	-
Restricted:				
Sheriff	2,736,769	-	2,736,769	-
Fire	3,846,946	-	3,846,946	-
Building inspections (Note 2)	1,306,804	-	1,306,804	-
Library	4,709,668	-	4,709,668	-
Other restrictions (Note 10)	2,575,911	-	2,575,911	-
Unrestricted	69,618,808	45,255,831	114,874,639	(57,447,805)
Total net position (deficit)	<u>\$ 127,700,586</u>	<u>\$ 110,651,889</u>	<u>\$ 238,352,475</u>	<u>\$ (57,447,805)</u>

Charter Township of Commerce

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,803,250	\$ 2,146,539	\$ 29,141	\$ 4,437
Public safety	15,737,998	843,879	40,159	735,678
Public works	3,872,650	3,379,003	28,381	132,450
Community and economic development	300,490	-	9,809	-
Recreation and culture	3,664,372	17,872	306,603	252,000
Interest on long-term debt	21,697	-	-	-
Total governmental activities	26,400,457	6,387,293	414,093	1,124,565
Business-type activities:				
Sewer Fund	11,904,604	11,379,417	-	2,128,358
Water Fund	7,105,383	8,073,033	-	772,397
Total business-type activities	19,009,987	19,452,450	-	2,900,755
Total primary government	\$ 45,410,444	\$ 25,839,743	\$ 414,093	\$ 4,025,320
Component units - DDA	\$ 2,053,504	\$ -	\$ -	\$ -

General revenue:
 Property taxes and voter-approved assessments
 Unrestricted state-shared revenue
 Unrestricted investment income
 Cable franchise fees
 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, 2024

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (623,133)	\$ -	\$ (623,133)	\$ -
(14,118,282)	-	(14,118,282)	-
(332,816)	-	(332,816)	-
(290,681)	-	(290,681)	-
(3,087,897)	-	(3,087,897)	-
(21,697)	-	(21,697)	-
(18,474,506)	-	(18,474,506)	-
-	1,603,171	1,603,171	-
-	1,740,047	1,740,047	-
-	3,343,218	3,343,218	-
(18,474,506)	3,343,218	(15,131,288)	-
-	-	-	(2,053,504)
20,960,305	-	20,960,305	2,428,511
4,305,114	-	4,305,114	123,441
3,647,451	1,276,966	4,924,417	41,731
540,326	-	540,326	-
3,446,033	-	3,446,033	-
486,006	-	486,006	225,845
33,385,235	1,276,966	34,662,201	2,819,528
14,910,729	4,620,184	19,530,913	766,024
112,789,857	106,031,705	218,821,562	(58,213,829)
\$ 127,700,586	\$ 110,651,889	\$ 238,352,475	\$ (57,447,805)

Charter Township of Commerce

Governmental Funds Balance Sheet

December 31, 2024

	General Fund	Fire Fund	Sheriff Fund	Improvement and Building Fund	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and investments (Note 3)	\$ 37,876,722	\$ 8,304,175	\$ 7,574,102	\$ 4,936,112	\$ 14,906,883	\$ 73,597,994
Receivables (Note 4)	4,698,083	3,902,364	3,759,637	1,459,003	2,114,533	15,933,620
Advances to other funds (Note 6)	500,000	-	-	-	-	500,000
Prepaid expenses	197,010	99,607	-	-	17,670	314,287
Long-term advance to component unit (including interest) (Note 6)	31,311,308	-	-	-	-	31,311,308
Total assets	\$ 74,583,123	\$ 12,306,146	\$ 11,333,739	\$ 6,395,115	\$ 17,039,086	\$ 121,657,209
Liabilities						
Accounts payable	\$ 185,981	\$ 73,092	\$ 1,131,234	\$ 527,885	\$ 267,814	\$ 2,186,006
Advances from other funds (Note 6)	-	500,000	-	-	-	500,000
Refundable deposits, bonds, etc.	1,614,144	-	-	-	-	1,614,144
Accrued liabilities and other	47,174	95,714	-	-	21,732	164,620
Unearned revenue	718,602	-	-	-	-	718,602
Total liabilities	2,565,901	668,806	1,131,234	527,885	289,546	5,183,372
Deferred Inflows of Resources						
Unavailable revenue	31,311,308	-	-	-	86,019	31,397,327
Taxes and assessments levied for the following year	3,900,567	7,790,394	7,465,736	3,504,840	3,517,696	26,179,233
Deferred inflows from leases	1,634,180	-	-	-	-	1,634,180
Total deferred inflows of resources	36,846,055	7,790,394	7,465,736	3,504,840	3,603,715	59,210,740
Total liabilities and deferred inflows of resources	39,411,956	8,459,200	8,596,970	4,032,725	3,893,261	64,394,112
Fund Balances (Note 9)						
Nonspendable	697,010	99,607	-	-	17,670	814,287
Restricted	1,258,901	3,747,339	2,736,769	-	7,181,890	14,924,899
Committed	1,639,675	-	-	2,362,390	-	4,002,065
Assigned	1,443,216	-	-	-	5,946,265	7,389,481
Unassigned	30,132,365	-	-	-	-	30,132,365
Total fund balances	35,171,167	3,846,946	2,736,769	2,362,390	13,145,825	57,263,097
Total liabilities, deferred inflows of resources, and fund balances	\$ 74,583,123	\$ 12,306,146	\$ 11,333,739	\$ 6,395,115	\$ 17,039,086	\$ 121,657,209

Charter Township of Commerce

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

December 31, 2024

Fund Balances Reported in Governmental Funds	\$ 57,263,097
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	43,348,680
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	31,397,327
Long-term debt is not due and payable in the current period and is not reported in the funds	(443,000)
Nonexchange financial guarantee is not due and payable in the current period and is not reported in the funds	(3,496,035)
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	(369,483)
Net Position of Governmental Activities	<u><u>\$ 127,700,586</u></u>

Charter Township of Commerce

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2024

	General Fund	Fire Fund	Sheriff Fund	Improvement and Building Fund	Nonmajor Funds	Total Governmental Funds
Revenue						
Property taxes and voter-approved assessments	\$ 3,615,072	\$ 7,205,669	\$ 6,905,073	\$ -	\$ 3,234,491	\$ 20,960,305
Special assessments	-	-	-	-	46,432	46,432
Intergovernmental	4,348,308	656,018	114,504	-	424,918	5,543,748
Charges for services	637,012	550,250	291,969	3,346,044	26,343	4,851,618
Fines and forfeitures	113,813	1,660	-	-	11,009	126,482
Licenses and permits	1,913,889	-	-	-	103,089	2,016,978
Interest and rentals	1,795,933	338,269	304,190	183,359	755,716	3,377,467
Other revenue	515,900	300	44,379	-	58,965	619,544
Total revenue	12,939,927	8,752,166	7,660,115	3,529,403	4,660,963	37,542,574
Expenditures						
Current services:						
General government	3,118,160	-	-	-	-	3,118,160
Public safety	1,631,870	6,484,889	6,676,780	-	-	14,793,539
Public works	672,937	-	-	3,086,782	59,605	3,819,324
Community and economic development	300,490	-	-	-	3,100,000	3,400,490
Recreation and culture	733,206	-	-	-	2,296,141	3,029,347
Capital outlay	-	495,656	156,270	40,206	1,931,737	2,623,869
Debt service:						
Principal	-	462,773	-	-	77,000	539,773
Interest	-	13,837	-	-	7,861	21,698
Total expenditures	6,456,663	7,457,155	6,833,050	3,126,988	7,472,344	31,346,200
Other Financing Sources (Uses)						
Transfers in (Note 6)	-	-	-	250,000	2,035,000	2,285,000
Transfers out (Note 6)	(2,285,000)	-	-	-	-	(2,285,000)
Sale of capital assets	39,647	-	-	-	-	39,647
Total other financing (uses) sources	(2,245,353)	-	-	250,000	2,035,000	39,647
Net Change in Fund Balances	4,237,911	1,295,011	827,065	652,415	(776,381)	6,236,021
Fund Balances - Beginning of year	30,933,256	2,551,935	1,909,704	1,709,975	13,922,206	51,027,076
Fund Balances - End of year	\$ 35,171,167	\$ 3,846,946	\$ 2,736,769	\$ 2,362,390	\$ 13,145,825	\$ 57,263,097

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, 2024

Net Change in Fund Balances Reported in Governmental Funds	\$ 6,236,021
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	3,188,446
Depreciation expense	(2,151,167)
Net book value of asset disposals	(72,767)
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	3,673,491
Change in nonexchange financial guarantee does not require current financial resources and is not reported in the governmental funds	3,446,033
Payments on long-term debt are expenditures in the governmental funds but not in the statement of activities (where they reduce long-term debt)	539,774
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	50,898
Change in Net Position of Governmental Activities	<u>\$ 14,910,729</u>

Charter Township of Commerce

Proprietary Funds Statement of Net Position

December 31, 2024

	Sewer Fund	Water Fund	Total Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 16,238,605	\$ 21,908,910	\$ 38,147,515
Receivables (Note 4)	3,273,756	2,773,388	6,047,144
Prepaid expenses	156,117	20,959	177,076
Total current assets	19,668,478	24,703,257	44,371,735
Noncurrent assets:			
Special assessment receivables - Greater than one year (Note 4)	1,866,539	441,386	2,307,925
Capital assets: (Note 5)			
Assets not subject to depreciation	432,512	109,024	541,536
Assets subject to depreciation - Net	74,038,040	24,608,568	98,646,608
Total noncurrent assets	76,337,091	25,158,978	101,496,069
Total assets	96,005,569	49,862,235	145,867,804
Deferred Outflows of Resources - Deferred charge on bond refunding	633,118	-	633,118
Liabilities			
Current liabilities:			
Accounts payable	560,925	741,575	1,302,500
Accrued liabilities and other	121,329	-	121,329
Current portion of bonds payable (Note 7)	1,630,000	-	1,630,000
Total current liabilities	2,312,254	741,575	3,053,829
Noncurrent liabilities - Bonds payable (Note 7)	32,795,204	-	32,795,204
Total liabilities	35,107,458	741,575	35,849,033
Net Position			
Net investment in capital assets	40,678,466	24,717,592	65,396,058
Unrestricted	20,852,763	24,403,068	45,255,831
Total net position	<u>\$ 61,531,229</u>	<u>\$ 49,120,660</u>	<u>\$ 110,651,889</u>

Charter Township of Commerce

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

Year Ended December 31, 2024

	Sewer Fund	Water Fund	Total Enterprise Funds
Operating Revenue			
Sale of water	\$ -	\$ 8,073,033	\$ 8,073,033
Sewage disposal charges	10,837,104	-	10,837,104
Installation fees	514,963	-	514,963
Other income	27,350	-	27,350
Total operating revenue	11,379,417	8,073,033	19,452,450
Operating Expenses			
Cost of water	-	5,213,447	5,213,447
Cost of sewage treatment	4,825,259	-	4,825,259
Other operating and maintenance costs	2,172,271	684,814	2,857,085
Depreciation	3,542,749	1,207,122	4,749,871
Total operating expenses	10,540,279	7,105,383	17,645,662
Operating Income	839,138	967,650	1,806,788
Nonoperating Revenue (Expense)			
Investment income	750,809	526,157	1,276,966
Interest expense	(1,364,325)	-	(1,364,325)
Total nonoperating (expense) revenue	(613,516)	526,157	(87,359)
Income - Before capital contributions	225,622	1,493,807	1,719,429
Capital Contributions			
Special assessments	834,418	435,386	1,269,804
Benefit fees	1,293,940	337,011	1,630,951
Total capital contributions	2,128,358	772,397	2,900,755
Change in Net Position	2,353,980	2,266,204	4,620,184
Net Position - Beginning of year	59,177,249	46,854,456	106,031,705
Net Position - End of year	\$ 61,531,229	\$ 49,120,660	\$ 110,651,889

Charter Township of Commerce

Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2024

	Sewer Fund	Water Fund	Total Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 10,980,360	\$ 7,809,491	\$ 18,789,851
Payments to suppliers	(7,946,470)	(6,273,080)	(14,219,550)
Net cash and cash equivalents provided by operating activities	3,033,890	1,536,411	4,570,301
Cash Flows from Capital and Related Financing Activities			
Issuance of debt	783,397	-	783,397
Receipt of capital grants	2,759,882	-	2,759,882
Special assessment collections	809,364	-	809,364
Benefit fees	322,655	337,011	659,666
Purchase of capital assets	(1,669,618)	(794,649)	(2,464,267)
Principal and interest paid on capital debt	(3,155,651)	-	(3,155,651)
Net cash and cash equivalents used in capital and related financing activities	(149,971)	(457,638)	(607,609)
Cash Flows Provided by Investing Activities - Interest received on investments	750,809	520,157	1,270,966
Net Increase in Cash and Cash Equivalents	3,634,728	1,598,930	5,233,658
Cash and Cash Equivalents - Beginning of year	12,603,877	20,309,980	32,913,857
Cash and Cash Equivalents - End of year	\$ 16,238,605	\$ 21,908,910	\$ 38,147,515
Reconciliation of Operating Income to Net Cash and Cash Equivalents from Operating Activities			
Operating income	\$ 839,138	\$ 967,650	\$ 1,806,788
Adjustments to reconcile operating income to net cash and cash equivalents from operating activities:			
Depreciation	3,542,749	1,207,122	4,749,871
Changes in assets and liabilities:			
Receivables	(399,057)	(263,542)	(662,599)
Prepaid and other assets	(103,421)	(3,960)	(107,381)
Accounts payable	(845,519)	(370,859)	(1,216,378)
Total adjustments	2,194,752	568,761	2,763,513
Net cash and cash equivalents provided by operating activities	\$ 3,033,890	\$ 1,536,411	\$ 4,570,301

Charter Township of Commerce

**Fiduciary Funds
Statement of Fiduciary Net Position**

December 31, 2024

	Other Employee Benefit Trust Fund - Retirement Health Funding Vehicle Fund	Custodial Fund - Tax Collection Fund	Total Fiduciary Funds
Assets			
Cash and cash equivalents	\$ -	\$ 733,886	\$ 733,886
Interest in investment pool	461,970	-	461,970
Property tax receivables	-	5,097,988	5,097,988
Total assets	461,970	5,831,874	6,293,844
Liabilities - Due to other governments	-	1,035,299	1,035,299
Deferred Inflows of Resources - Taxes levied for the following year	-	4,796,575	4,796,575
Net Position - Restricted - Postemployment benefits other than pension	\$ 461,970	\$ -	\$ 461,970

Charter Township of Commerce

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2024

	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	\$ 33,513	\$ -	\$ 33,513
Investment costs	(961)	-	(961)
Net investment income	32,552	-	32,552
Property tax collections	-	72,181,300	72,181,300
Total additions	32,552	72,181,300	72,213,852
Deductions			
Benefit payments	5,500	-	5,500
Tax distributions to other governments	-	72,181,300	72,181,300
Total deductions	5,500	72,181,300	72,186,800
Net Increase in Fiduciary Net Position	27,052	-	27,052
Net Position - Beginning of year	434,918	-	434,918
Net Position - End of year	\$ 461,970	\$ -	\$ 461,970

December 31, 2024

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 nine 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 and fiduciary 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

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 \$1,639,675 at December 31, 2024.

Property Tax Revenue

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

The Township's property tax revenue was levied and collectible on December 31, 2023 and is recognized as revenue in the year ended December 31, 2024 when the proceeds of the levy are budgeted and available for the financing of operations.

The taxable valuation of the Township totaled \$2.7 billion (a portion of which is abated and a portion of which is captured by the DDA). Taxes were levied as follows:

Millage	Millage Rate	Revenue
General operating	2.0100 \$	4,903,000
Fire township-wide special assessment	2.8000	7,206,000
Police township-wide special assessment	2.6220	6,174,000
Library extra voted	0.6601	1,610,000
Open space extra voted	0.3662	893,000

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 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 but unused paid time off (PTO) benefits. The compensated absence liability is reported in the government-wide financial statements. A leave liability is recognized due to the leave attributable to services already rendered, leave that accumulates, and leave that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

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 December 2023, the Governmental 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 Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2026.

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of capital assets, such as lease assets, intangible right-of-use assets, subscription assets, and other intangible assets to be disclosed separately by major class of underlying asset in the capital assets note. This statement also requires additional disclosures for capital assets held for sale. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2026.

December 31, 2024

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, 2024	\$ 1,647,994
Current year permit revenue	1,233,158
Related expenses - Direct costs	<u>(1,574,348)</u>
Current year deficiency	<u>(341,190)</u>
Cumulative surplus at December 31, 2024	<u><u>\$ 1,306,804</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 \$65,474,613 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township also reports approximately \$26.3 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.

December 31, 2024

Note 3 - Deposits and Investments (Continued)

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's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

At year end, the Township had the following investments:

Investment	Fair Value	Weighted- average Maturity (Years)
Primary Government		
U.S. government agency securities	\$ 393,394	0.72
Michigan CLASS	19,283,735	0.22
Negotiable certificates of deposit	<u>308,110</u>	3.32
Total	<u>\$ 19,985,239</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, 2024, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Primary Government			
U.S. government agency securities	\$ 393,394	AAA	Moody's
Michigan CLASS	19,283,735	AAA _m	S&P
Negotiable certificates of deposit	<u>308,110</u>	NR	N/A
Total	<u>\$ 19,985,239</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 5 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.

December 31, 2024

Note 3 - Deposits and Investments (Continued)

The Township has the following recurring fair value measurements as of December 31, 2024:

- The Township's investments in MERS Total Market Portfolio (\$461,970) and Michigan CLASS (\$19,283,735) are measured at net asset value (NAV).
- Negotiable certificates of deposit of \$308,110 and U.S. government agency securities of \$393,394 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, 2024, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Carrying Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Primary Government				
Michigan CLASS investment pool	\$ 19,283,735	\$ -	No restrictions	None
Fiduciary Funds				
MERS Total Market Fund	\$ 461,970	\$ -	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 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, 2024

Note 4 - Receivables

Receivables as of December 31, 2024 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	\$ 1,891,448	\$ 7,651,735	\$ 1,707,383	\$ -	\$ -	\$ 11,250,566
Special assessments receivable	-	1,459,003	146,039	1,866,539	441,386	3,912,967
Customer receivables	-	-	-	2,993,750	2,618,721	5,612,471
Leases receivable	1,793,814	-	-	-	-	1,793,814
Other receivables	269,784	3,381	2,269	14,824	-	290,258
Due from other governments	743,037	6,885	258,842	265,182	154,667	1,428,613
Total receivables	\$ 4,698,083	\$ 9,121,004	\$ 2,114,533	\$ 5,140,295	\$ 3,214,774	\$ 24,288,689

Note 5 - Capital Assets

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

Governmental Activities

	Balance January 1, 2024	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2024
Capital assets not being depreciated:					
Land	\$ 12,764,313	\$ -	\$ -	\$ (72,767)	\$ 12,691,546
Construction in progress	9,122,469	(9,119,870)	1,096,254	-	1,098,853
Subtotal	21,886,782	(9,119,870)	1,096,254	(72,767)	13,790,399
Capital assets being depreciated:					
Buildings	19,957,784	7,446,457	141,290	-	27,545,531
Improvements	7,468,885	1,573,413	873,828	-	9,916,126
Machinery and equipment	9,950,214	100,000	913,537	-	10,963,751
Books and materials	1,824,169	-	163,537	-	1,987,706
Subtotal	39,201,052	9,119,870	2,092,192	-	50,413,114
Accumulated depreciation:					
Buildings	7,287,021	-	688,739	-	7,975,760
Improvements	2,793,588	-	443,155	-	3,236,743
Machinery and equipment	7,289,068	-	802,887	-	8,091,955
Books and materials	1,333,989	-	216,386	-	1,550,375
Subtotal	18,703,666	-	2,151,167	-	20,854,833
Net capital assets being depreciated	20,497,386	9,119,870	(58,975)	-	29,558,281
Net governmental activities capital assets	\$ 42,384,168	\$ -	\$ 1,037,279	\$ (72,767)	\$ 43,348,680

December 31, 2024

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance January 1, 2024	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2024
Capital assets not being depreciated:					
Land	\$ 438,993	\$ -	\$ -	\$ -	\$ 438,993
Construction in progress	9,753,901	(9,753,901)	102,543	-	102,543
Subtotal	10,192,894	(9,753,901)	102,543	-	541,536
Capital assets being depreciated -					
Buildings and infrastructure	181,515,427	9,753,901	2,361,724	-	193,631,052
Accumulated depreciation -					
Buildings and infrastructure	90,234,573	-	4,749,871	-	94,984,444
Net capital assets being depreciated	91,280,854	9,753,901	(2,388,147)	-	98,646,608
Net business-type activities capital assets	<u>\$ 101,473,748</u>	<u>\$ -</u>	<u>\$ (2,285,604)</u>	<u>\$ -</u>	<u>\$ 99,188,144</u>

Component Unit

	Balance January 1, 2024	Additions	Disposals and Adjustments	Balance December 31, 2024
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	\$ 235,308
Public safety	885,541
Public works	13,120
Recreation and culture	1,017,198
Total governmental activities	<u>\$ 2,151,167</u>
Business-type activities:	
Sewer	\$ 3,542,749
Water	1,207,122
Total business-type activities	<u>\$ 4,749,871</u>

December 31, 2024

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:

	Spent to Date	Remaining Commitment
Pontiac Trail & Beck Water Main	\$ 118,816	\$ 7,320
Library generator	90,000	4,217
Total	<u>\$ 208,816</u>	<u>\$ 11,537</u>

Note 6 - Interfund Receivables, Payables, and Transfers

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

The balance of amounts loaned to the discretely presented component unit, including \$3.1 million loaned in 2024 and accrued interest, is as follows:

Receivable	Payable	Amount
General Fund	Downtown Development Authority	\$ 31,311,308

The loan from the Township to the DDA was in connection with the financial guarantee, as discussed in Note 8.

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Improvement and Building Fund	\$ 250,000
	Nonmajor governmental funds	2,035,000
	Total General Fund	<u>\$ 2,285,000</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 \$2,000,000 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, 2024

Note 7 - Long-term Debt

Long-term debt activity for the year ended December 31, 2024 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
General obligation special assessment bonds - Direct borrowing	\$ 520,000	\$ -	\$ (77,000)	\$ 443,000	\$ 76,000
Installment purchases - Direct borrowings	462,774	-	(462,774)	-	-
Compensated absences	420,381	498,343	(549,241)	369,483	17,941
Nonexchange financial guarantee (Note 8)	6,942,068	-	(3,446,033)	3,496,035	-
Total governmental activities long-term debt	\$ 8,345,223	\$ 498,343	\$ (4,535,048)	\$ 4,308,518	\$ 93,941

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Other debt:					
2016 Capital Improvement Refunding Bonds	\$ 20,155,000	\$ -	\$ (965,000)	\$ 19,190,000	\$ 1,020,000
2017 Capital Improvement Refunding Bonds	9,080,000	-	(25,000)	9,055,000	25,000
2019 Capital Improvement Refunding Bonds	3,165,000	-	(465,000)	2,700,000	485,000
Total other debt outstanding	32,400,000	-	(1,455,000)	30,945,000	1,530,000
Direct borrowings and direct placements - Clean Water State Revolving Funds Project 5550-01	619,804	-	(55,000)	564,804	60,000
Direct borrowings and direct placements - Clean Water State Revolving Funds Project 5760-01	1,030,222	783,397	(230,000)	1,583,619	40,000
Unamortized bond premiums	1,433,940	-	(102,159)	1,331,781	-
Total business-type activities long-term debt	\$ 35,483,966	\$ 783,397	\$ (1,842,159)	\$ 34,425,204	\$ 1,630,000

December 31, 2024

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	\$ 13,070,000	\$ -	\$ (2,340,000)	\$ 10,730,000	\$ 2,560,000
2016 Downtown Development Authority Limited Tax General Obligation Bonds Series 2016-B	290,000	-	(290,000)	-	-
2019 Downtown Development Authority Limited Tax General Obligation Bonds Series 2019	25,490,000	-	(1,970,000)	23,520,000	2,025,000
Total other debt principal outstanding	38,850,000	-	(4,600,000)	34,250,000	4,585,000
Unamortized bond premiums	921,080	-	(164,907)	756,173	-
Total component unit long-term debt	<u>\$ 39,771,080</u>	<u>\$ -</u>	<u>\$ (4,764,907)</u>	<u>\$ 35,006,173</u>	<u>\$ 4,585,000</u>

The Township had deferred outflows of \$633,118 related to deferred charges on bond refundings at December 31, 2024.

December 31, 2024

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, 2024 are as follows:

<u>Purpose</u>	<u>Year Issued</u>	<u>Interest Rates</u>	<u>Maturing</u>	<u>Outstanding</u>
Governmental Activities				
Special assessment bonds	2020	1.55%	2030	<u>\$ 443,000</u>
Business-type Activities				
Clean Water State Revolving Funds (direct borrowing)	2013	2.0%	2033	\$ 564,804
Clean Water State Revolving Funds (direct borrowing)	2023	1.88%	2043	1,583,619
Capital improvement refunding bonds (other debt)	2016	3.0 - 5.0%	2038	19,190,000
Capital improvement refunding bonds (other debt)	2017	4.0%	2039	9,055,000
Capital improvement refunding bonds (other debt)	2019	4.0%	2029	<u>2,700,000</u>
Total business-type activities				<u>\$ 33,093,423</u>
Component Unit				
Series 2016-A LTGO bonds	2016	5.0%	2028	\$ 10,730,000
Series 2019 LTGO bonds	2019	2.97 - 3.85%	2034	<u>23,520,000</u>
Total component unit				<u>\$ 34,250,000</u>

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		
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	73,000	2,248	75,248		
2030-2034	72,000	1,116	73,116		
2035-2039	-	-	-		
2040-2044	-	-	-		
Total	\$ 443,000	\$ 23,857	\$ 466,857		

Business-type Activities					
Years Ending December 31	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2025	\$ 100,000	\$ 40,989	\$ 1,530,000	\$ 1,320,006	\$ 2,990,995
2026	105,000	39,039	1,620,000	1,248,606	3,012,645
2027	110,000	36,995	1,700,000	1,173,006	3,020,001
2028	110,000	34,858	1,780,000	1,093,656	3,018,514
2029	115,000	32,720	1,860,000	1,010,556	3,018,276
2030-2034	614,804	127,161	10,985,000	3,812,025	15,538,990
2035-2039	480,000	76,277	11,470,000	1,443,900	13,470,177
2040-2044	513,619	25,209	-	-	538,828
Total	\$ 2,148,423	\$ 413,248	\$ 30,945,000	\$ 11,101,755	\$ 44,608,426

Component Unit Activities			
Years Ending December 31	Other Debt		
	Principal	Interest	Total
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	2,295,000	549,596	2,844,596
2030-2034	12,745,000	1,471,350	14,216,350
2035-2039	-	-	-
2040-2044	-	-	-
Total	\$ 34,250,000	\$ 5,997,587	\$ 40,247,587

December 31, 2024

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 \$28,750,000 to the DDA, plus \$2,561,308 of accrued interest, resulting in a receivable owed to the Township of \$31,311,308. 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, 2024, the Township has recorded an estimated liability for this financial guarantee of \$3,496,035. This reflects a decrease of \$3,446,033 as a result of \$3,100,000 being advanced to the DDA in 2024, as well as an increase in projected DDA captures in future years.

December 31, 2024

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	\$ 197,010	\$ 99,607	\$ -	\$ -	\$ 17,670	\$ 314,287
Long-term advance	500,000	-	-	-	-	500,000
Total nonspendable	697,010	99,607	-	-	17,670	814,287
Restricted:						
Sheriff	-	-	2,736,769	-	-	2,736,769
Fire	-	3,747,339	-	-	-	3,747,339
Building inspections	1,258,901	-	-	-	-	1,258,901
Library	-	-	-	-	4,605,979	4,605,979
Open space acquisitions, maintenance, and improvements	-	-	-	-	2,043,682	2,043,682
Historic preservation	-	-	-	-	185,919	185,919
Special assessments	-	-	-	-	346,310	346,310
Total restricted	1,258,901	3,747,339	2,736,769	-	7,181,890	14,924,899
Committed:						
Budget stabilization	1,639,675	-	-	-	-	1,639,675
Improvement and building	-	-	-	2,362,390	-	2,362,390
Total committed	1,639,675	-	-	2,362,390	-	4,002,065
Assigned:						
DDA debt support	-	-	-	-	5,629,951	5,629,951
Road improvements	1,443,216	-	-	-	-	1,443,216
Cemetery	-	-	-	-	316,314	316,314
Total assigned	1,443,216	-	-	-	5,946,265	7,389,481
Unassigned	30,132,365	-	-	-	-	30,132,365
Total fund balances	<u>\$ 35,171,167</u>	<u>\$ 3,846,946</u>	<u>\$ 2,736,769</u>	<u>\$ 2,362,390</u>	<u>\$ 13,145,825</u>	<u>\$ 57,263,097</u>

Note 10 - Net Position Restrictions

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

Open space acquisitions, maintenance, and improvements	\$ 2,043,682
Historic preservation	185,919
Special assessment	346,310
Total other restrictions	<u>\$ 2,575,911</u>

Note 11 - Pension Plan

Plan Description

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

Benefits Provided

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

Pension Expense

During the year ended December 31, 2024, expense was approximately \$683,000. 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, 2024, there were no retirees eligible for health insurance benefits, and \$5,500 was paid in stipends to eligible firefighters. There are 67 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 \$461,970 at December 31, 2024, which is greater than the actuarially estimated liability. 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, 2024, the Township recognized the following related to its lessor agreements:

Lease revenue	\$	123,283
Interest income related to its leases		54,930

Required Supplementary Information

Charter Township of Commerce

Required Supplementary Information Budgetary Comparison Schedule General Fund

Year Ended December 31, 2024

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 3,598,100	\$ 3,615,950	\$ 3,615,072	\$ (878)
Intergovernmental:				
Federal grants	60,000	60,000	9,809	(50,191)
State sources:				
State-shared revenue	4,367,500	4,377,500	4,295,648	(81,852)
Local Community Stabilization Authority	33,000	22,395	26,952	4,557
Other state aid	9,600	9,600	11,775	2,175
Local grants and contributions	2,200	2,200	4,124	1,924
Charges for services	441,000	571,000	637,012	66,012
Fines and forfeitures	50,000	95,000	113,813	18,813
Licenses and permits	577,000	567,000	680,731	113,731
Interest and rentals	388,996	1,684,890	1,815,890	131,000
Other revenue	104,000	397,198	444,495	47,297
Total revenue	9,631,396	11,402,733	11,655,321	252,588
Expenditures				
Current services:				
General government:				
Governing body	39,450	34,450	34,504	(54)
Supervisor	160,236	160,236	162,421	(2,185)
Finance/Human resources	304,982	283,202	254,408	28,794
Information technology	286,918	246,918	253,290	(6,372)
Treasurer	477,899	477,899	422,500	55,399
Assessing	400,200	385,200	384,568	632
Board of review	5,500	5,500	4,575	925
Clerk	453,742	443,992	450,193	(6,201)
Building and grounds maintenance	267,300	319,300	288,661	30,639
Attorney	300,000	300,000	291,018	8,982
Elections	298,879	213,539	240,892	(27,353)
Township hall - General services	287,301	253,299	191,971	61,328
Other	150,922	73,620	131,969	(58,349)
Public safety - Ordinance enforcement	85,859	89,359	57,522	31,837
Public works:				
Street lighting	30,000	30,000	33,810	(3,810)
Maintenance department	666,921	627,913	550,262	77,651
Transportation services	-	-	1,342	(1,342)
Community and economic development:				
Planning	396,119	396,119	293,311	102,808
CDBG	60,000	8,750	7,179	1,571
Recreation and culture - Parks and recreation	768,106	772,806	733,206	39,600
Total expenditures	5,440,334	5,122,102	4,787,602	334,500
Excess of Revenue Over Expenditures	4,191,062	6,280,631	6,867,719	587,088

Charter Township of Commerce

Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Continued)

Year Ended December 31, 2024

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Other Financing (Uses) Sources				
Transfers out	\$ (2,885,000)	\$ (2,497,123)	\$ (2,497,123)	\$ -
Sale of capital assets	2,000	33,197	39,647	6,450
Total other financing uses	<u>(2,883,000)</u>	<u>(2,463,926)</u>	<u>(2,457,476)</u>	<u>6,450</u>
Net Change in Fund Balance	1,308,062	3,816,705	4,410,243	593,538
Fund Balance - Beginning of year	<u>26,371,267</u>	<u>26,371,267</u>	<u>26,371,267</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 27,679,329</u>	<u>\$ 30,187,972</u>	<u>\$ 30,781,510</u>	<u>\$ 593,538</u>

Charter Township of Commerce

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

Year Ended December 31, 2024

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 7,217,000	\$ 7,206,950	\$ 7,205,669	\$ (1,281)
Intergovernmental	260,000	656,004	656,018	14
Charges for services	283,000	553,500	550,250	(3,250)
Fines and forfeitures	-	-	1,660	1,660
Interest and rentals	150,000	340,000	338,269	(1,731)
Other revenue	4,500	1,196	300	(896)
Total revenue	7,914,500	8,757,650	8,752,166	(5,484)
Expenditures				
Public safety	6,290,372	6,654,571	6,484,889	169,682
Capital outlay	234,681	740,000	495,656	244,344
Debt service	476,611	253,837	476,610	(222,773)
Total expenditures	7,001,664	7,648,408	7,457,155	191,253
Net Change in Fund Balance	912,836	1,109,242	1,295,011	185,769
Fund Balance - Beginning of year	2,551,935	2,551,935	2,551,935	-
Fund Balance - End of year	\$ 3,464,771	\$ 3,661,177	\$ 3,846,946	\$ 185,769

Charter Township of Commerce

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

Year Ended December 31, 2024

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 6,916,000	\$ 6,907,415	\$ 6,905,073	\$ (2,342)
Intergovernmental	-	79,660	114,504	34,844
Charges for services	292,192	292,192	291,969	(223)
Interest and rentals	150,000	305,000	304,190	(810)
Other revenue	35,000	35,000	44,379	9,379
Total revenue	7,393,192	7,619,267	7,660,115	40,848
Expenditures				
Public safety	6,654,635	6,702,635	6,676,780	25,855
Capital outlay	150,000	157,000	156,270	730
Total expenditures	6,804,635	6,859,635	6,833,050	26,585
Net Change in Fund Balance	588,557	759,632	827,065	67,433
Fund Balance - Beginning of year	1,909,704	1,909,704	1,909,704	-
Fund Balance - End of year	\$ 2,498,261	\$ 2,669,336	\$ 2,736,769	\$ 67,433

Charter Township of Commerce

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

Year Ended December 31, 2024

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Charges for services	\$ 3,320,117	\$ 3,328,912	\$ 3,346,044	\$ 17,132
Interest and rentals	89,000	187,000	183,359	(3,641)
Total revenue	3,409,117	3,515,912	3,529,403	13,491
Expenditures				
Public works	3,419,117	3,076,657	3,086,782	(10,125)
Capital outlay	55,000	55,000	40,206	14,794
Total expenditures	3,474,117	3,131,657	3,126,988	4,669
Excess of Revenue (Under) Over Expenditures	(65,000)	384,255	402,415	18,160
Other Financing Sources - Transfers in	250,000	250,000	250,000	-
Net Change in Fund Balance	185,000	634,255	652,415	18,160
Fund Balance - Beginning of year	1,709,975	1,709,975	1,709,975	-
Fund Balance - End of year	\$ 1,894,975	\$ 2,344,230	\$ 2,362,390	\$ 18,160

Charter Township of Commerce

Notes to Required Supplementary Information

December 31, 2024

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	\$ 12,939,927	\$ 6,456,663	\$ 35,171,167	\$ (2,245,353)
Building and Inspection Fund	(1,233,158)	(1,574,348)	(1,306,804)	-
Road Improvements Fund	(126,905)	(87,523)	(1,443,216)	(100,000)
Retiree Health Care Plan	(7,025)	(7,190)	38	-
Budget Stabilization Fund	-	-	(1,639,675)	(112,123)
Trust and Agency Fund	82,482	-	-	-
Amounts per budget statement	<u>\$ 11,655,321</u>	<u>\$ 4,787,602</u>	<u>\$ 30,781,510</u>	<u>\$ (2,457,476)</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 - Governing body	\$ 34,450	\$ 34,504	\$ (54)
General Fund - General government - Supervisor	160,236	162,421	(2,185)
General Fund - General government - Information technology	246,918	253,290	(6,372)
General Fund - General government - Clerk	443,992	450,193	(6,201)
General Fund - General government - Elections	213,539	240,892	(27,353)
General Fund - General government - Other	73,620	131,969	(58,349)
General Fund - Public works - Street lighting	30,000	33,810	(3,810)
General Fund - Public works - Transportation services	-	1,342	(1,342)
Fire Fund - Debt service	253,837	476,610	(222,773)
Improvement and Building Fund - Public works	3,076,657	3,086,782	(10,125)

Supplementary Information

Charter Township of Commerce

Supplementary Information Combining Balance Sheet General Fund

December 31, 2024

	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	\$ 31,291,912	\$ 2,085,104	\$ 1,443,216	\$ -	\$ 1,639,675	\$ 1,416,815	\$ 37,876,722
Receivables:							
Property taxes receivable	1,891,448	-	-	-	-	-	1,891,448
Leases receivable	1,793,814	-	-	-	-	-	1,793,814
Other receivables	269,784	-	-	-	-	-	269,784
Due from other governments	743,037	-	-	-	-	-	743,037
Advances to other funds	500,000	-	-	-	-	-	500,000
Prepaid expenses	149,107	47,903	-	-	-	-	197,010
Long-term advance to component unit (including interest)	31,311,308	-	-	-	-	-	31,311,308
Total assets	\$ 67,950,410	\$ 2,133,007	\$ 1,443,216	\$ -	\$ 1,639,675	\$ 1,416,815	\$ 74,583,123
Liabilities							
Accounts payable	\$ 73,906	\$ 106,783	\$ -	\$ 38	\$ -	\$ 5,254	\$ 185,981
Refundable deposits	202,583	-	-	-	-	1,411,561	1,614,144
Accrued liabilities and other	46,356	818	-	-	-	-	47,174
Unearned revenue	-	718,602	-	-	-	-	718,602
Total liabilities	322,845	826,203	-	38	-	1,416,815	2,565,901
Deferred Inflows of Resources							
Unavailable revenue	31,311,308	-	-	-	-	-	31,311,308
Taxes and assessments levied for the following year	3,900,567	-	-	-	-	-	3,900,567
Deferred inflows from leases	1,634,180	-	-	-	-	-	1,634,180
Total deferred inflows of resources	36,846,055	-	-	-	-	-	36,846,055
Total liabilities and deferred inflows of resources	37,168,900	826,203	-	38	-	1,416,815	39,411,956
Fund Balances							
Nonspendable	649,107	47,903	-	-	-	-	697,010
Restricted	-	1,258,901	-	-	-	-	1,258,901
Committed	-	-	-	-	1,639,675	-	1,639,675
Assigned	-	-	1,443,216	-	-	-	1,443,216
Unassigned	30,132,403	-	-	(38)	-	-	30,132,365
Total fund balances	30,781,510	1,306,804	1,443,216	(38)	1,639,675	-	35,171,167
Total liabilities, deferred inflows of resources, and fund balances	\$ 67,950,410	\$ 2,133,007	\$ 1,443,216	\$ -	\$ 1,639,675	\$ 1,416,815	\$ 74,583,123

Charter Township of Commerce

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

Year Ended December 31, 2024

	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	\$ 3,615,072	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,615,072
Intergovernmental:							
Federal grants	9,809	-	-	-	-	-	9,809
State sources:							
State-shared revenue	4,295,648	-	-	-	-	-	4,295,648
Local Community Stabilization Authority	26,952	-	-	-	-	-	26,952
Other state aid	11,775	-	-	-	-	-	11,775
Local grants and contributions	4,124	-	-	-	-	-	4,124
Charges for services	637,012	-	-	-	-	-	637,012
Fines and forfeitures	113,813	-	-	-	-	-	113,813
Licenses and permits	680,731	1,233,158	-	-	-	-	1,913,889
Interest and rentals	1,815,890	-	62,525	-	-	(82,482)	1,795,933
Other revenue	444,495	-	64,380	7,025	-	-	515,900
Total revenue	11,655,321	1,233,158	126,905	7,025	-	(82,482)	12,939,927
Expenditures							
Current services:							
General government	3,110,970	-	-	7,190	-	-	3,118,160
Public safety	57,522	1,574,348	-	-	-	-	1,631,870
Public works	585,414	-	87,523	-	-	-	672,937
Community and economic development	300,490	-	-	-	-	-	300,490
Recreation and culture	733,206	-	-	-	-	-	733,206
Total expenditures	4,787,602	1,574,348	87,523	7,190	-	-	6,456,663
Excess of Revenue Over (Under) Expenditures	6,867,719	(341,190)	39,382	(165)	-	(82,482)	6,483,264
Other Financing (Uses) Sources							
Transfers (out) in	(2,497,123)	-	100,000	-	112,123	-	(2,285,000)
Sale of capital assets	39,647	-	-	-	-	-	39,647
Total other financing (uses) sources	(2,457,476)	-	100,000	-	112,123	-	(2,245,353)
Net Change in Fund Balances	4,410,243	(341,190)	139,382	(165)	112,123	(82,482)	4,237,911
Fund Balances - Beginning of year	26,371,267	1,647,994	1,303,834	127	1,527,552	82,482	30,933,256
Fund Balances - End of year	\$ 30,781,510	\$ 1,306,804	\$ 1,443,216	\$ (38)	\$ 1,639,675	\$ -	\$ 35,171,167

Charter Township of Commerce

Supplementary Information Combining Balance Sheet Nonmajor Governmental Funds

December 31, 2024

	Special Revenue Funds				Debt Service Fund		Total
	Open Space Fund	Historic Preservation Fund	Cemetery Fund	Library Fund	Debt Sinking Fund	Special Assessment Debt Fund	
Assets							
Cash and investments	\$ 2,360,537	\$ 185,919	\$ 316,314	\$ 6,062,189	\$ 5,629,951	\$ 351,973	\$ 14,906,883
Receivables	641,868	-	-	1,324,255	-	148,410	2,114,533
Prepaid expenses	-	-	-	17,670	-	-	17,670
Total assets	\$ 3,002,405	\$ 185,919	\$ 316,314	\$ 7,404,114	\$ 5,629,951	\$ 500,383	\$ 17,039,086
Liabilities							
Accounts payable	\$ 99,490	\$ -	\$ -	\$ 168,324	\$ -	\$ -	\$ 267,814
Accrued liabilities and other	-	-	-	20,588	-	1,144	21,732
Total liabilities	99,490	-	-	188,912	-	1,144	289,546
Deferred Inflows of Resources							
Unavailable revenue	-	-	-	86,019	-	-	86,019
Taxes and assessments levied for the following year	859,233	-	-	2,505,534	-	152,929	3,517,696
Total deferred inflows of resources	859,233	-	-	2,591,553	-	152,929	3,603,715
Total liabilities and deferred inflows of resources	958,723	-	-	2,780,465	-	154,073	3,893,261
Fund Balances							
Nonspendable	-	-	-	17,670	-	-	17,670
Restricted	2,043,682	185,919	-	4,605,979	-	346,310	7,181,890
Assigned	-	-	316,314	-	5,629,951	-	5,946,265
Total fund balances	2,043,682	185,919	316,314	4,623,649	5,629,951	346,310	13,145,825
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,002,405	\$ 185,919	\$ 316,314	\$ 7,404,114	\$ 5,629,951	\$ 500,383	\$ 17,039,086

Charter Township of Commerce

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

Year Ended December 31, 2024

	Special Revenue Funds				Debt Service Fund		Total
	Open Space Fund	Historic Preservation Fund	Cemetery Fund	Library Fund	Debt Sinking Fund	Special Assessment Debt Fund	
Revenue							
Property taxes and voter-approved assessments	\$ 893,047	\$ -	\$ -	\$ 2,341,444	\$ -	\$ -	\$ 3,234,491
Special assessments	-	-	-	-	-	46,432	46,432
Intergovernmental	421,830	95	-	2,993	-	-	424,918
Charges for services	-	-	19,480	6,863	-	-	26,343
Fines and forfeitures	-	-	-	11,009	-	-	11,009
Licenses and permits	-	-	-	103,089	-	-	103,089
Interest and rentals	129,981	8,074	13,743	264,044	317,040	22,834	755,716
Other revenue	50,000	-	-	8,965	-	-	58,965
Total revenue	1,494,858	8,169	33,223	2,738,407	317,040	69,266	4,660,963
Expenditures							
Current services:							
Public works	-	-	59,605	-	-	-	59,605
Community and economic development	-	-	-	-	3,100,000	-	3,100,000
Recreation and culture	3,765	-	-	2,292,376	-	-	2,296,141
Capital outlay	1,866,357	-	-	65,380	-	-	1,931,737
Debt service:							
Principal	-	-	-	-	-	77,000	77,000
Interest	-	-	-	-	-	7,861	7,861
Total expenditures	1,870,122	-	59,605	2,357,756	3,100,000	84,861	7,472,344
Excess of Revenue (Under) Over Expenditures	(375,264)	8,169	(26,382)	380,651	(2,782,960)	(15,595)	(2,811,381)
Other Financing Sources - Transfers in	-	-	35,000	-	2,000,000	-	2,035,000
Net Change in Fund Balances	(375,264)	8,169	8,618	380,651	(782,960)	(15,595)	(776,381)
Fund Balances - Beginning of year	2,418,946	177,750	307,696	4,242,998	6,412,911	361,905	13,922,206
Fund Balances - End of year	\$ 2,043,682	\$ 185,919	\$ 316,314	\$ 4,623,649	\$ 5,629,951	\$ 346,310	\$ 13,145,825