

CHARTER TOWNSHIP OF COMMERCE
OAKLAND COUNTY, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
AND
INDEPENDENT AUDITORS' REPORT

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Layton & Richardson, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Township Board
Charter Township of Commerce
Oakland County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **Charter Township of Commerce**, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Commerce, as of December 31, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

1000 Coolidge Road
East Lansing, MI 48823

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

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2016, on our consideration of the Charter Township of Commerce's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter Township of Commerce's internal control over financial reporting and on compliance.


Certified Public Accountants

June 14, 2016
East Lansing, Michigan

Charter Township of Commerce, Michigan

Management's Discussion and Analysis

Our discussion and analysis of Commerce Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2015. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The Township is in a very strong financial position when viewed from the "current financial resources" perspective. Its governmental funds ended 2015 with \$32.2 million of fund balance, which represents 19 months of governmental revenue (23 months of expenditures). However, from the longer term "total economic resources" perspective, the Township has an obligation to support the debt service requirements of the Downtown Development Authority (a discretely presented component unit). As discussed in further detail below, the DDA has incurred debt that the Township has guaranteed; the Township has recorded a liability of \$28 million as the present value of the estimated outflows it currently expects to make to support this debt.

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

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Charter Township of Commerce, Michigan

Management's Discussion and Analysis (Continued)

Condensed Financial Information – Government-wide Statements

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

	Governmental Activities		Business Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Cash and investments	\$ 38,446	\$ 29,255	\$ 20,668	\$ 23,029	\$ 59,114	\$ 52,284
Other current assets	9,140	13,492	4,250	4,079	13,390	17,571
Long term advance to DDA	6,650	6,650	-	-	6,650	6,650
Capital assets	24,902	22,640	117,236	115,538	142,138	138,178
Total assets	79,138	72,037	142,154	142,646	221,292	214,683
Current liabilities	1,532	1,156	3,217	2,213	4,749	3,369
Long-term liabilities	28,949	29,984	43,045	44,080	71,994	74,064
Total liabilities	30,481	31,140	46,262	46,293	76,743	77,433
Deferred inflows of resources	13,652	12,849	-	-	13,652	12,849
Net position:						
Net investment in capital assets	23,827	21,320	73,146	70,452	96,973	91,772
Restricted	14,360	15,242	5,708	5,541	20,068	20,783
Unrestricted	(3,182)	(8,514)	17,038	20,360	13,856	11,846
Total net position	\$ 35,005	\$ 28,048	\$ 95,892	\$ 96,353	\$ 130,897	\$ 124,401

Charter Township of Commerce, Michigan

Management's Discussion and Analysis (Continued)

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

	Governmental Activities		Business Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenue						
Program revenue:						
Charges for services	\$ 1,931	\$ 2,555	\$ 13,841	\$ 14,048	\$ 15,772	\$ 16,603
Grants & donations	32	25	2,438	303	2,470	328
General revenue:						
Property taxes & assessments	14,836	13,843	-	-	14,836	13,843
State shared revenue	2,804	2,755	-	-	2,804	2,755
Miscellaneous	517	495	-	3	517	498
Investment earnings	542	624	229	295	771	919
Debt guarantee recovery	655	704	-	-	655	704
Transfers	51	(13)	(51)	13	-	-
Total revenue	<u>21,368</u>	<u>20,988</u>	<u>16,457</u>	<u>14,662</u>	<u>37,825</u>	<u>35,650</u>
Program Expenses						
General government	2,049	2,244	-	-	2,049	2,244
Public safety	7,947	7,723	-	-	7,947	7,723
Public works	27	2,597	16,918	16,426	16,945	19,023
Community development	2,671	25	-	-	2,671	25
Recreation and cultural	1,546	1,907	-	-	1,546	1,907
Interest on long-term debt	170	208	-	-	170	208
Total expenses	<u>14,410</u>	<u>14,704</u>	<u>16,918</u>	<u>16,426</u>	<u>31,328</u>	<u>31,130</u>
Change in Net Position	<u>\$ 6,958</u>	<u>\$ 6,284</u>	<u>\$ (461)</u>	<u>\$ (1,764)</u>	<u>\$ 6,497</u>	<u>\$ 4,520</u>

Government-Wide Financial Analysis

In 2015, total primary government revenues exceeded expenses by \$6.5 million. This, as well as increased tax receipts in December 2015 compared to December 2014, were the primary drivers of the \$6.8 million increase in total cash and investments. During 2015 the Township made only a short-term advance to the DDA that was repaid prior to the end of the year. It is anticipated that after the DDA's debt matures in 2034, the DDA will continue to capture taxes sufficient to repay the Township for its advances related to the debt service. The change in the estimated guarantee of \$1.5 million, net of the interest cost of \$860,000 for the current year, resulted in a "debt guarantee recovery" of \$655,000.

The Water and Sewer system experienced a reduction in sales revenue due to a decline in the amount of water purchased from our customers. In addition, the Water fund incurred additional repairs and maintenance. The system did receive a capital asset transfer of \$2.4 million from the DDA. As a result, the system experienced a \$461,000 shortfall compared to \$1.8 million in 2014.

Charter Township of Commerce, Michigan

Management's Discussion and Analysis (Continued)

The Township's Funds

Our analysis of the Township's major funds begins on page 16, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2015 include the following:

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

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

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

- The General Fund continued its annual transfer (\$3.2 million in 2015) to the Debt Sinking Fund. This amount is intended to provide sufficient resources to honor the full faith and credit obligation on the DDA's debt. We currently anticipate that the DDA will need support making its debt payments, which mature through 2034. We also anticipate that the DDA will continue to capture taxes subsequent to that, which will be used to repay the Township for these advances.
- The Wastewater Treatment Plant Fund and the Water Supply Fund both have set their operating rate sufficient to meet all cash outlay operating costs (excluding depreciation), plus a portion of the wastewater treatment plant debt service related costs. As a result, they expect to experience an operating loss approximately equal to the depreciation expense. The cost of debt related to the infrastructure is financed from tap in fees, much of which has already been collected, when the customers tapped into the system. Excluding the transfer of a capital asset from the DDA to the Wastewater Treatment Plant Fund, both funds reported a net loss in net position. The Wastewater Treatment Plant Fund increase its cash balance by \$941,000 while the Water Supply Fund's cash balance decreased by \$3.3 million due to purchases of capital assets totaling \$3.2 million.

Charter Township of Commerce, Michigan

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

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

During the year, actual revenues were only \$40,000 less than budgetary estimates – a variance of less than 1%. Expenditures were less than budget by \$75,000, or 2%. This is the expected result, since Michigan law prohibits any spending in excess of amounts appropriated. Following transfers in and out, the fund balance increased by \$1 million compared to the budgeted increase of \$803,000.

Capital Asset and Debt Administration

At the end of 2015, the Township had \$142 million invested in a broad range of capital assets, including buildings, office equipment, police and fire vehicles and equipment, a wastewater treatment plant, and water and sewer lines. During 2015, the governmental activities replaced or improved nearly \$3 million of capital assets. The business-type activities expended \$3.5 million for capital asset improvements.

The Township's only governmental activity debt consists of \$1.075 million of special assessment bonds that will be repaid from the collections from the special assessment roll. Business-type activity debt is \$44 million, which will be repaid from a combination of tap in fees (much of which has already been collected as customers tapped in) and future user charges.

As discussed in the "financial highlights" section, the Township is also obligated to assist the Downtown Development Authority (a discretely presented component unit) in its debt service obligations. The DDA has incurred \$69.5 million of long-term debt that was used to acquire property and construct the Martin Parkway road. The intent was to re-sell the land to be developed, and the land sale proceeds would have serviced the debt. However, the recent recession has reduced the fair market value of the land, and current projections estimate the land may ultimately sell for approximately half this amount. The future DDA tax captures will make up much of this difference, but the Township has begun making advances to the DDA in order to enable it to make its scheduled debt service payments.

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

The Charter Township of Commerce maintains an AA+ rating from Standard & Poor's and an Aa1 rating from Moody's for general obligation debt.

Charter Township of Commerce, Michigan

Management's Discussion and Analysis (Concluded)

Economic Factors and Next Year's Budgets and Rates

In 2016 we expect to see modest increases in property tax/Act 33 special assessment revenue and state shared revenue (our two largest revenue sources). Staffing reductions as a result of the 2008-2012 economic downturn has meant doing a lot more with less and has helped us to maintain a balanced budget.

We expect the water storage tank to go on-line during the summer of 2016 and for the Township to begin seeing the financial benefits within the next year. Construction of the new 36,000 square foot library remains on track for a 2017 move-in date. We have undertaken both of these projects without incurring additional debt.

In April 2016, we issued refunding bonds for certain capital improvement and DDA bonds. The refunding bonds will save the Township and DDA approximately \$7 million over the next 20 years.

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

With the projected growth in the Township, it may be necessary to increase staffing. We are preparing for permits, inspections and filing to increase.

Requests for Information

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

GENERAL PURPOSE FINANCIAL STATEMENTS

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

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
LIABILITIES				
Current Liabilities				
Payables				
Accounts	\$ 1,203,007	\$ 1,859,116	\$ 3,062,123	\$ 25,961
Payroll and payroll taxes	110,773		110,773	
Performance bonds payable				
Due to other funds				
Due to other units		140,747	140,747	
Accrued interest	2,876	172,092	174,968	285,230
Accrued interest - debt guarantee				196,688
Bonds and notes payable	215,000	1,045,000	1,260,000	2,650,000
Noncurrent Liabilities				
Bonds and notes payable	860,000	43,044,804	43,904,804	66,820,000
Reitree health benefit payable	43,478		43,478	
Debt guarantee	28,002,140		28,002,140	
Long-term advance				6,650,000
Accrued sick and vacation pay	43,301		43,301	
	<u>30,480,575</u>	<u>46,261,759</u>	<u>76,742,334</u>	<u>76,627,879</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for the following year and special assessments	<u>13,651,703</u>		<u>13,651,703</u>	
NET POSITION				
Net investment in capital assets	23,826,900	73,146,494	96,973,394	(48,875,196)
Restricted for				
Debt service	2,120,233		2,120,233	
Major maintenance		931,195	931,195	
Emergency repair		1,202,141	1,202,141	
Capital improvement		3,574,327	3,574,327	
Special purposes	12,240,196		12,240,196	268,000
Unrestricted	<u>(3,181,910)</u>	<u>17,037,797</u>	<u>13,855,887</u>	<u>(3,369,911)</u>
TOTAL NET POSITION	<u>35,005,419</u>	<u>95,891,954</u>	<u>130,897,373</u>	<u>(51,977,107)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
	<u>\$ 79,137,697</u>	<u>\$ 142,153,713</u>	<u>\$ 221,291,410</u>	<u>\$ 24,650,772</u>

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

		PROGRAM REVENUES	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
FUNCTIONS/PROGRAMS			
Primary Government			
Governmental Activities			
General government	\$ 2,049,233	\$ 971,876	\$
Public safety	7,947,063	951,237	
Public works	27,059		
Community development and enrichment	2,670,854	7,700	32,344
Culture and recreation	1,546,083		
Interest on long-term debt	169,928		
Total Governmental Activities	14,410,220	1,930,813	32,344
Business-Type Activities			
Wastewater	10,090,705	8,702,188	
Water	6,827,438	5,138,607	
Total Business-Type Activities	16,918,143	13,840,795	
Total Primary Government	\$ 31,328,363	\$ 15,771,608	\$ 32,344
Component Units			
Downtown Development Authority	\$ 5,411,555	\$	\$
General Revenues and Transfers			
Property taxes			
Special assessments			
Debt guarantee			
Miscellaneous			
Loss on sale of land			
State shared revenue			
Unrestricted investment earnings			
Transfers			
Total General Revenues and Transfers			
Change in Net Position			
Net Position, January 1			
Net Position, December 31			

See accompanying notes to financial statements.

NET (EXPENSE) REVENUE AND
CHANGES IN NET POSITION

PROGRAM REVENUES CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL	
\$	\$ (1,077,357)	\$	\$ (1,077,357)	\$
	(6,995,826)		(6,995,826)	
	(27,059)		(27,059)	
	(2,630,810)		(2,630,810)	
	(1,546,083)		(1,546,083)	
	(169,928)		(169,928)	
	<u>(12,447,063)</u>		<u>(12,447,063)</u>	
2,437,500		1,048,983	1,048,983	
		<u>(1,688,831)</u>	<u>(1,688,831)</u>	
2,437,500		<u>(639,848)</u>	<u>(639,848)</u>	
<u>\$ 2,437,500</u>	<u>(12,447,063)</u>	<u>(639,848)</u>	<u>(13,086,911)</u>	
<u>\$</u>				<u>(5,411,555)</u>
	5,327,333		5,327,333	1,278,895
	9,508,411		9,508,411	
	654,860		654,860	
	516,760		516,760	32,155
				(2,248,048)
	2,804,355		2,804,355	
	541,629	229,175	770,804	7,741
	50,924	<u>(50,924)</u>		
	<u>19,404,272</u>	<u>178,251</u>	<u>19,582,523</u>	<u>(929,257)</u>
	6,957,209	(461,597)	6,495,612	(6,340,812)
	<u>28,048,210</u>	<u>96,353,551</u>	<u>124,401,761</u>	<u>(45,636,295)</u>
	<u>\$ 35,005,419</u>	<u>\$ 95,891,954</u>	<u>\$ 130,897,373</u>	<u>\$ (51,977,107)</u>

CHARTER TOWNSHIP OF COMMERCE

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	GENERAL	FIRE	POLICE
ASSETS			
Cash	\$ 11,612,501	\$ 3,686,833	\$ 2,385,757
Investments	525,633		
Receivables			
Interest			
Taxes	1,751,179	2,086,601	3,022,438
Accounts	137,284		
Special assessments			
Due from			
Other funds	124,762	3,663	
Other governmental units			
Prepaid expenses	<u>31,848</u>	<u>43,758</u>	
TOTAL ASSETS	<u>\$ 14,183,207</u>	<u>\$ 5,820,855</u>	<u>\$ 5,408,195</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Payables			
Accounts	\$ 71,649	\$ 57,134	\$ 384,599
Payroll and payroll taxes	36,088	52,638	
Due to other funds			
TOTAL LIABILITIES	<u>107,737</u>	<u>109,772</u>	<u>384,599</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for the following year and special assessments	2,551,179	3,086,601	4,522,438
Unavailable revenue			
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,551,179</u>	<u>3,086,601</u>	<u>4,522,438</u>
FUND BALANCE			
Nonspendable	31,848	43,758	
Restricted		2,580,724	501,158
Committed	1,280,079		
Assigned	1,166,416		
Unassigned	<u>9,045,948</u>		
TOTAL FUND BALANCE	<u>11,524,291</u>	<u>2,624,482</u>	<u>501,158</u>
TOTAL LIABILITIES, DEFERRED INFLOWS RESOURCES, AND FUND BALANCE	<u>\$ 14,183,207</u>	<u>\$ 5,820,855</u>	<u>\$ 5,408,195</u>

See accompanying notes to financial statements.

LIBRARY	IMPROVEMENT AND BUILDING	DEBT SINKING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 6,375,757 1,647,954	\$ 1,381,489	\$ 6,189,492	\$ 4,164,413 476,381	\$ 35,796,242 2,649,968
6,572 1,083,008			1,136 508,477	7,708 8,451,703
			211,591	137,284 211,591
			19,573	147,998
			17,497	17,497
<u>20,995</u>			<u>2,814</u>	<u>99,415</u>
\$ <u><u>9,134,286</u></u>	\$ <u><u>1,381,489</u></u>	\$ <u><u>6,189,492</u></u>	\$ <u><u>5,401,882</u></u>	\$ <u><u>47,519,406</u></u>
\$ 420,051 19,629 624	\$ 211,818	\$	\$ 57,756 2,418 129,673	\$ 1,203,007 110,773 130,297
<u>440,304</u>	<u>211,818</u>		<u>189,847</u>	<u>1,444,077</u>
1,783,008	1,000,000		708,477 211,591	13,651,703 211,591
<u>1,783,008</u>	<u>1,000,000</u>		<u>920,068</u>	<u>13,863,294</u>
20,995 6,889,979	169,671	6,189,492	2,814 4,289,153	99,415 14,261,014 7,639,242 1,166,416 9,045,948
<u>6,910,974</u>	<u>169,671</u>	<u>6,189,492</u>	<u>4,291,967</u>	<u>32,212,035</u>
\$ <u><u>9,134,286</u></u>	\$ <u><u>1,381,489</u></u>	\$ <u><u>6,189,492</u></u>	\$ <u><u>5,401,882</u></u>	\$ <u><u>47,519,406</u></u>

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CHARTER TOWNSHIP OF COMMERCE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
DECEMBER 31, 2015

Total fund balances - governmental funds		\$ 32,212,035
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$33,480,536 and the accumulated depreciation is \$8,578,636.		24,901,900
Long-term assets, including long-term advances, are not due and receivable in the current period and therefore are not reported as assets in the funds.		6,650,000
Interest receivable from long term advances.		196,688
Retiree health insurance earned by eligible employees is not payable in the current period and therefore is not reported in the funds. However, these amounts are included in the statement of net position.		(43,478)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of:		
Bonds payable	\$ (1,075,000)	
Accrued compensated absences	(43,301)	
Debt guarantee	(28,002,140)	
Accrued interest	<u>(2,876)</u>	
		(29,123,317)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Unavailable revenue - special assessments		<u>211,591</u>
Total net position - governmental activities		<u><u>\$ 35,005,419</u></u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2015

	GENERAL	FIRE	POLICE
REVENUES			
Taxes	\$ 2,641,702	\$ 2,956,082	\$ 4,320,166
Licenses and permits	641,440		
Intergovernmental	2,804,355		
Charges for services and special assessments	368,109		
Fines and forfeits	106,428		
Interest and rentals	229,597	23,144	11,048
Other revenues	125,858	40,286	166,072
	<u>6,917,489</u>	<u>3,019,512</u>	<u>4,497,286</u>
TOTAL REVENUES			
EXPENDITURES			
General government	2,056,336		
Public safety	204,109	2,609,162	4,390,001
Public works	17,925		
Culture and recreation	341,586		
Debt service			
Principal retirement			
Interest and fiscal charges			
Refunds			
Capital outlay			
	<u>2,619,956</u>	<u>2,609,162</u>	<u>4,390,001</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,297,533</u>	<u>410,350</u>	<u>107,285</u>
OTHER FINANCING SOURCES (USES)			
Advance to DDA			
Operating transfers in	178		
Operating transfers out	<u>(3,206,125)</u>		
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,205,947)</u>		
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,091,586	410,350	107,285
FUND BALANCE, JANUARY 1	10,432,705	2,214,132	393,873
PRIOR PERIOD ADJUSTMENT			
FUND BALANCE, DECEMBER 31	<u>\$ 11,524,291</u>	<u>\$ 2,624,482</u>	<u>\$ 501,158</u>

See accompanying notes to financial statements.

LIBRARY	IMPROVEMENT AND BUILDING	DEBT SINKING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 1,579,113	\$	\$	\$ 628,592	\$ 12,125,655
				641,440
			32,344	2,836,699
1,870	2,686,600		961,976	4,018,555
				106,428
63,381	2,103	35,094	33,376	397,743
127,868	45,999		8,807	514,890
<u>1,772,232</u>	<u>2,734,702</u>	<u>35,094</u>	<u>1,665,095</u>	<u>20,641,410</u>
				2,056,336
			462,726	7,665,998
				17,925
2,685,905			1,223,708	4,251,199
			245,000	245,000
			39,220	39,220
			131,895	131,895
	<u>2,670,854</u>			<u>2,670,854</u>
<u>2,685,905</u>	<u>2,670,854</u>		<u>2,102,549</u>	<u>17,078,427</u>
<u>(913,673)</u>	<u>63,848</u>	<u>35,094</u>	<u>(437,454)</u>	<u>3,562,983</u>
	5,000	3,200,000	52,049	3,257,227
			(178)	(3,206,303)
	<u>5,000</u>	<u>3,200,000</u>	<u>51,871</u>	<u>50,924</u>
(913,673)	68,848	3,235,094	(385,583)	3,613,907
7,824,647	100,823	2,954,398	4,677,550	28,598,128
<u>\$ 6,910,974</u>	<u>\$ 169,671</u>	<u>\$ 6,189,492</u>	<u>\$ 4,291,967</u>	<u>\$ 32,212,035</u>

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CHARTER TOWNSHIP OF COMMERCE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Net changes in fund balances - total governmental funds	\$	3,613,907
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives.</p>		
Expenditures for capital assets		2,957,267
Less: current year depreciation		(695,540)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in deferred inflows - special assessments		(123,651)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.</p>		
Accrued interest		1,187
Accrued sick and vacation		(2,584)
Retiree health insurance		162,877
Interest receivable on long-term advance		143,886
Principal payments		245,000
Debt guarantee reduction		654,860
		654,860
Change in net position of governmental activities	\$	6,957,209

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2015

BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS

	WASTE WATER TREATMENT PLANT	WATER SUPPLY	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 11,275,791	\$ 8,991,262	\$ 20,267,053
Investments		401,467	401,467
Accounts receivable	2,183,223	1,719,631	3,902,854
Loan receivable			
Interest receivable		1,670	1,670
Due from other funds	32,418	221,568	253,986
Due from other units	260,640	21,853	282,493
Prepaid expenses	39,598		39,598
	<u>13,791,670</u>	<u>11,357,451</u>	<u>25,149,121</u>
PROPERTY, PLANT AND EQUIPMENT			
Buildings and structures	130,255,177	41,480,720	171,735,897
Less: accumulated depreciation	<u>40,826,760</u>	<u>13,672,839</u>	<u>54,499,599</u>
	<u>89,428,417</u>	<u>27,807,881</u>	<u>117,236,298</u>
NET PROPERTY, PLANT AND EQUIPMENT			
	<u>89,428,417</u>	<u>27,807,881</u>	<u>117,236,298</u>
TOTAL ASSETS	\$ <u><u>103,220,087</u></u>	\$ <u><u>39,165,332</u></u>	\$ <u><u>142,385,419</u></u>

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS

	WASTE WATER TREATMENT PLANT	WATER SUPPLY	TOTAL
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 507,751	\$ 1,351,365	\$ 1,859,116
Due to other funds	231,489	217	231,706
Due to other units	140,747		140,747
Accrued interest	172,092		172,092
Performance bonds payable			
Bonds payable	<u>1,045,000</u>		<u>1,045,000</u>
TOTAL CURRENT LIABILITIES	<u>2,097,079</u>	<u>1,351,582</u>	<u>3,448,661</u>
LONG-TERM LIABILITIES			
Bonds payable	<u>43,044,804</u>		<u>43,044,804</u>
TOTAL LIABILITIES	<u>45,141,883</u>	<u>1,351,582</u>	<u>46,493,465</u>
NET POSITION			
Net investment in capital assets	45,338,613	27,807,881	73,146,494
Restricted for			
Major maintenance	785,471	145,724	931,195
Emergency repair	202,516	999,625	1,202,141
Capital improvement	1,236,000	2,338,327	3,574,327
Unrestricted	<u>10,515,604</u>	<u>6,522,193</u>	<u>17,037,797</u>
TOTAL NET POSITION	<u>58,078,204</u>	<u>37,813,750</u>	<u>95,891,954</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 103,220,087</u>	 <u>\$ 39,165,332</u>	 <u>\$ 142,385,419</u>

CHARTER TOWNSHIP OF COMMERCE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2015

BUSINESS-TYPE ACTIVITIES

ENTERPRISE FUNDS

	WASTE WATER TREATMENT PLANT	WATER SUPPLY	TOTAL
OPERATING REVENUES			
Charges for services	\$ 8,702,188	\$ 5,138,607	\$ 13,840,795
Miscellaneous			
TOTAL OPERATING REVENUES	<u>8,702,188</u>	<u>5,138,607</u>	<u>13,840,795</u>
OPERATING EXPENSES			
Engineering	108,603	75,681	184,284
Maintenance	82,198	1,441,270	1,523,468
Sewage treatment	2,388,740		2,388,740
Repairs and maintenance supplies			
Pump maintenance	1,179,116	32,215	1,211,331
System control	220,322	7,700	228,022
Plan review and permitting	169,169	35,955	205,124
Inspection	52,898		52,898
IPP	20,662		20,662
Mapping	48,419	39,219	87,638
Billing services	114,965	105,360	220,325
Professional and contractual services	22,378	5,215	27,593
Depreciation	3,256,380	941,927	4,198,307
General and administrative	331,180	144,116	475,296
Water purchases		3,998,780	3,998,780
TOTAL OPERATING EXPENSES	<u>7,995,030</u>	<u>6,827,438</u>	<u>14,822,468</u>
OPERATING INCOME (LOSS)	<u>707,158</u>	<u>(1,688,831)</u>	<u>(981,673)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest earned	121,046	108,129	229,175
Interest expense	(2,095,675)		(2,095,675)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(1,974,629)</u>	<u>108,129</u>	<u>(1,866,500)</u>
LOSS BEFORE OPERATING TRANSFERS	<u>(1,267,471)</u>	<u>(1,580,702)</u>	<u>(2,848,173)</u>
OPERATING TRANSFERS			
Operating transfers out	(50,924)		(50,924)
NET LOSS BEFORE CAPITAL CONTRIBUTION	<u>(1,318,395)</u>	<u>(1,580,702)</u>	<u>(2,899,097)</u>
CAPITAL CONTRIBUTION	<u>2,437,500</u>		<u>2,437,500</u>
NET LOSS	<u>1,119,105</u>	<u>(1,580,702)</u>	<u>(461,597)</u>
NET POSITION, JANUARY 1	<u>56,959,099</u>	<u>39,394,452</u>	<u>96,353,551</u>
NET POSITION, DECEMBER 31	<u>\$ 58,078,204</u>	<u>\$ 37,813,750</u>	<u>\$ 95,891,954</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	BUSINESS-TYPE ACTIVITIES		
	ENTERPRISE FUNDS		
	WASTEWATER TREATMENT PLANT	WATER SUPPLY	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 8,149,561	\$ 4,959,945	\$ 13,109,506
Cash payment for goods and services	<u>(3,943,038)</u>	<u>(5,155,028)</u>	<u>(9,098,066)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>4,206,523</u>	<u>(195,083)</u>	<u>4,011,440</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers out	<u>(50,924)</u>	<u> </u>	<u>(50,924)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of fixed assets	(244,373)	(3,215,068)	(3,459,441)
Principal payments	(995,196)		(995,196)
Increase in investments		(1,467)	(1,467)
Interest and fiscal charges paid	<u>(2,095,675)</u>	<u> </u>	<u>(2,095,675)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,335,244)</u>	<u>(3,216,535)</u>	<u>(6,551,779)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>121,046</u>	<u>108,129</u>	<u>229,175</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	941,401	(3,303,489)	(2,362,088)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>10,334,390</u>	<u>12,294,751</u>	<u>22,629,141</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 11,275,791</u></u>	<u><u>\$ 8,991,262</u></u>	<u><u>\$ 20,267,053</u></u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - Concluded
FOR THE YEAR ENDED DECEMBER 31, 2015

	BUSINESS-TYPE ACTIVITIES		
	ENTERPRISE FUNDS		
	WASTEWATER TREATMENT PLANT	WATER SUPPLY	TOTAL
RECONCILIATION OF OPERATING INCOME			
(LOSS) TO NET CASH PROVIDED BY			
OPERATING ACTIVITIES			
Operating income (loss)	\$ <u>707,158</u>	\$ <u>(1,688,831)</u>	\$ <u>(981,673)</u>
Adjustments to reconcile operating			
income (loss) to net cash provided			
by operating activities			
Depreciation	3,256,380	941,927	4,198,307
(Increase) decrease in receivables	(552,627)	(178,662)	(731,289)
(Increase) decrease in due to other units	538,451	26,395	564,846
(Increase) decrease in prepaid expenses	(3,060)		(3,060)
Increase (decrease) in accounts payable	144,466	704,088	848,554
Increase (decrease) in accrued interest	(2,294)		(2,294)
Increase (decrease) in due to other units	<u>118,049</u>		<u>118,049</u>
 Total adjustments	 <u>3,499,365</u>	 <u>1,493,748</u>	 <u>4,993,113</u>
 NET CASH PROVIDED BY (USED IN)			
 OPERATING ACTIVITIES	 <u>\$ 4,206,523</u>	 <u>\$ (195,083)</u>	 <u>\$ 4,011,440</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE

FIDUCIARY FUNDS

COMBINING BALANCE SHEET

DECEMBER 31, 2015

	<u>AGENCY FUNDS</u>		<u>PENSION TRUST FUND</u>	
	TRUST AND AGENCY	CURRENT TAX COLLECTION	DEFINED CONTRIBUTION PENSION PLAN	TOTALS
ASSETS				
Cash and cash equivalents	\$ 1,206,978	\$ 4,694,545	\$	\$ 5,901,523
Investments	105,426		4,057,466	4,162,892
Due from other funds	259,314			259,314
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,571,718</u>	<u>\$ 4,694,545</u>	<u>\$ 4,057,466</u>	<u>\$ 10,323,729</u>
 LIABILITIES				
Deposits payable				
Refundable bonds	\$ 720,048	\$	\$	\$ 720,048
Escrow deposits	565,299			565,299
Due to other funds	275,661	23,634		299,295
Due to other governmental units		4,670,911		4,670,911
Other liabilities	10,710			10,710
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>1,571,718</u>	<u>4,694,545</u>	<u> </u>	<u>6,266,263</u>
 NET POSITION				
Held in trust for pension benefits			4,057,466	4,057,466
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,571,718</u>	<u>\$ 4,694,545</u>	<u>\$ 4,057,466</u>	<u>\$ 10,323,729</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

ADDITIONS	
Contributions	
Employer	\$ 317,616
Investment income	
Gain on investments	<u>(200,942)</u>
TOTAL ADDITIONS	<u>116,674</u>
DEDUCTIONS	
Benefits	
Refunds of contributions	<u>987,410</u>
NET INCREASE	(870,736)
NET POSITION, JANUARY 1	<u>4,928,202</u>
NET POSITION, DECEMBER 31	<u><u>\$ 4,057,466</u></u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF NET POSITION
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
DECEMBER 31, 2015

ASSETS

Cash and cash equivalents	\$	4,053,118
Prepaid expenses		2,850
Land held for sale		<u>20,594,804</u>
TOTAL ASSETS	\$	<u><u>24,650,772</u></u>

LIABILITIES AND NET POSITION

LIABILITIES

Current Liabilities		
Accounts payable	\$	25,961
Accrued interest		285,230
Accrued interest - debt guarantee		196,688
Bonds payable		2,650,000
Noncurrent Liabilities		
Long-term advance		6,650,000
Long-term debt obligations		<u>66,820,000</u>
TOTAL LIABILITIES		<u>76,627,879</u>

NET POSITION

Net investment in capital assets		(48,875,196)
Restricted - Community Towne Place pathway		268,000
Unrestricted		<u>(3,369,911)</u>
TOTAL NET POSITION		<u>(51,977,107)</u>
TOTAL LIABILITIES AND NET POSITION	\$	<u><u>24,650,772</u></u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF ACTIVITIES
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2015

		PROGRAM REVENUES			TOTAL
EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	DOWNTOWN DEVELOPMENT AUTHORITY	
Component Unit					
Downtown Development					
Authority	\$ 5,411,555	\$	\$	\$ (5,411,555)	
Depreciation					
Total Component Unit	\$ 5,411,555	\$	\$	(5,411,555)	
General Revenues					
Property taxes				1,278,895	
Miscellaneous				32,155	
Loss on sale of land				(2,248,048)	
Unrestricted investment earnings				7,741	
Total General Revenues and Transfers				(929,257)	
Change in Net Position				(6,340,812)	
Net Position, January 1				(45,636,295)	
Net Position, December 31				\$ (51,977,107)	

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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

The Charter Township of Commerce was incorporated as a Michigan Charter Township under the provisions of P.A. 359 of 1947, as amended. The Township was originally organized in 1834 and covers an area of approximately 28 square miles. The Township operates under an elected Board of Trustees and provides services to approximately 35,000 residents including police and fire protection, building ordinance enforcement, road improvements, community services and enrichment, elections, tax assessments, planning, sewer and water, refuse disposal, street lighting, dust control, and aquatic weed control.

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

A. Reporting Entity

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

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

Discretely Presented Component Units

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

Downtown Development Authority

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government of the Charter Township of Commerce and its component unit. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The primary government of the Charter Township of Commerce is reported separately from certain legally separate component units for which the Charter Township of Commerce, the primary government, is financially accountable.

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2015

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

B. Government-Wide and Fund Financial Statements - Concluded

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and the fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Charter Township of Commerce.

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

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those to be accounted for in another fund.

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2015

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from provided services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2015

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

D. Budgets

The Township prepares annual budgets for its General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds on the modified accrual basis, which is consistent with U.S. generally accepted accounting principles. Under the modified accrual basis, outstanding encumbrances are recognized as expenditures when goods or services are performed/received. Encumbrances outstanding at December 31, 2015 that are subsequently performed/received will be recognized as expenditures in the fiscal period in which performed/received.

E. Cash, Cash Equivalents and Investments

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

F. Inventories

The cost of inventory items in all of the Township's governmental funds are recorded as an expenditure at the time of purchase. As of December 31, 2015, the Township had no significant inventories on hand. The component unit recorded all the land they own as land held in investment. The cost of this land, less an impairment adjustment, at December 31, 2015 was \$20,594,804.

G. Capital Assets

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

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

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

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

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2015

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

G. Capital Assets - Concluded

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

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

H. Long-Term Liabilities

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

I. Encumbrances

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

J. Insurance and Similar Services

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

CHARTER TOWNSHIP OF COMMERCE
 NOTES TO FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2015

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

K. Estimates

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

L. Date of Management’s Review

Subsequent events have been evaluated through June 14, 2016, which is the date the financial statements were available to be issued.

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

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

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

During 2015, the Township did incur expenditures in budgetary funds which were in excess of the amount appropriated.

	BUDGET	ACTUAL	VARIANCE (UNFAVORABLE)
General Fund			
Township Supervisor	\$ 119,655	\$ 120,085	\$(430)
Legal	280,000	287,779	(7,779)
Ordinance Enforcement	34,500	34,563	(63)

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

NOTE 3: **AMOUNT PAYABLE TO OTHER GOVERNMENTS AT DECEMBER 31, 2015**

The Trust and Agency Fund – Current Tax Collection Fund is used to account for property taxes that the Township collects for various governmental units, such as the county and local schools. As of December 31, 2015, the Township had \$4,694,545 in property tax collections and related receipts in this fund which are payable to various units.

CHARTER TOWNSHIP OF COMMERCE
 NOTES TO FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2015

NOTE 4: PROPERTY TAXES

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

The Township recognizes property taxes as revenue in the year subsequent to the levy, except the DDA summer tax levy that is recognized as revenue when collected and remitted to the Township DDA from the tax account. Property taxes levied on December 1, 2014, have been recorded as revenues in the current financial statements. Property taxes levied on December 1, 2015 have been recorded as taxes receivable with corresponding amounts recorded as deferred inflows in the Township's taxing funds.

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

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

The December 2014 levy was as follows:

Taxable property valuation:	\$ <u>1,725,485,220</u>
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Millage rates:

General township operating	1.4100
Charter police	0.3000
Charter library	0.3000
Voted library	0.6895
Voted parks/open space	0.3939

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2015

NOTE 5: CAPITAL ASSETS

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

	JANUARY 1, 2015	ADDITIONS	DELETIONS	DECEMBER 31, 2015
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ <u>12,537,160</u>	\$ _____	\$ _____	\$ <u>12,537,160</u>
Capital assets being depreciated				
Buildings	10,497,445	1,545,885		12,043,330
Improvements	2,007,169	1,240,553		3,247,722
Machinery and equipment	5,119,153	72,136	26,340	5,164,949
Books and materials	<u>388,682</u>	<u>98,693</u>	_____	<u>487,375</u>
Total capital assets being depreciated	<u>18,012,449</u>	<u>2,957,267</u>	<u>26,340</u>	<u>20,943,376</u>
Less: accumulated depreciation				
Buildings	3,208,118	251,479		3,459,597
Improvements	657,891	88,936		746,827
Machinery and equipment	3,904,541	265,752	26,340	4,143,953
Books and materials	<u>138,886</u>	<u>89,373</u>	_____	<u>228,259</u>
Total accumulated depreciation	<u>7,909,436</u>	<u>695,540</u>	<u>26,340</u>	<u>8,578,636</u>
Total capital assets being depreciated – net	<u>10,103,013</u>	<u>2,261,727</u>	_____	<u>12,364,740</u>
NET CAPITAL ASSETS	<u>\$ 22,640,173</u>	<u>\$ 2,261,727</u>	\$ _____	<u>\$ 24,901,900</u>

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2015

NOTE 5: **CAPITAL ASSETS** - Continued

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

GOVERNMENTAL ACTIVITY	AMOUNT
General government	\$ 153,190
Public safety	317,494
Culture and recreation	215,722
Public works	<u>9,134</u>
TOTAL DEPRECIATION EXPENSE GOVERNMENTAL ACTIVITIES	<u>\$ 695,540</u>

A summary of the asset activity for the governmental activity component unit is as follows:

	JANUARY 1, 2015	ADDITIONS	DELETIONS	DECEMBER 31, 2015
COMPONENT UNIT				
Infrastructure	\$ <u>6,500,000</u>	\$ _____	\$(<u>6,500,000</u>)	\$ _____
ACCUMULATED DEPRECIATION				
Infrastructure	\$ <u>4,062,500</u>	\$ _____	\$(<u>4,062,500</u>)	\$ _____
NET CAPITAL ASSETS	\$ <u><u>2,437,500</u></u>	\$ _____	\$(<u><u>2,437,500</u></u>)	\$ _____

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2015

NOTE 5: **CAPITAL ASSETS** - Concluded

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

	JANUARY 1, 2015	ADDITIONS	DELETIONS	DECEMBER 31, 2015
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ _____	\$ <u>6,481</u>	\$ _____	\$ <u>6,481</u>
Capital assets being depreciated				
Buildings and Infrastructure	161,776,457	5,890,460		171,729,417
Less: accumulated depreciation				
Buildings and infrastructure	<u>46,238,793</u>	<u>4,198,307</u>	_____	<u>54,499,600</u>
Total Capital assets being depreciated – net	<u>115,537,664</u>	<u>1,692,153</u>	_____	<u>117,229,817</u>
NET CAPITAL ASSETS	<u>\$ 115,537,664</u>	<u>\$ 1,698,634</u>	\$ _____	<u>\$ 117,236,298</u>

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

GOVERNMENTAL ACTIVITY	AMOUNT
Wastewater	\$ 3,256,380
Water	<u>941,927</u>
TOTAL DEPRECIATION EXPENSE BUSINESS-TYPE ACTIVITIES	<u>\$ 4,198,307</u>

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2015

NOTE 6: **CASH AND INVESTMENTS**

The Township's deposits and investments at December 31, 2015 are included on the balance sheet under the following classifications:

	CASH AND CASH EQUIVALENTS	INVESTMENTS	CARRYING AMOUNT TOTAL
Deposits – Bank	\$ 61,963,862	\$	\$ 61,963,862
Investments held by			
Bank		3,156,861	3,156,861
Defined contribution plan	<u> </u>	<u>4,057,466</u>	<u>4,057,466</u>
	61,963,862	7,214,327	69,178,189
Petty cash and cash on hand	<u> 956</u>	<u> </u>	<u> 956</u>
Total cash and investments	<u>\$ 61,964,818</u>	<u>\$ 7,214,327</u>	<u>\$ 69,179,145</u>

RECONCILIATION TO
STATEMENTS

Governmental Funds	\$ 35,796,242	\$ 2,649,968	\$ 38,446,210
Proprietary Funds	20,267,053	401,467	20,668,520
Fiduciary Funds	<u>5,901,523</u>	<u>4,162,892</u>	<u>10,064,415</u>
	<u>\$ 61,964,818</u>	<u>\$ 7,214,327</u>	<u>\$ 69,179,145</u>

DEPOSITS

At December 31, 2015, the book value of the Township's demand deposits, consisting primarily of certificates of deposits and other cash equivalents, was \$61,963,862 with a corresponding bank balance of \$61,454,474. Qualifying deposits are insured by the FDIC up to \$250,000. Of the bank balance, approximately \$1,755,206 is insured (credit risk category #1) and the remaining \$59,699,268 is uninsured and uncollateralized (credit risk category #3).

INVESTMENTS

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

The Township's investments are categorized below to give an indication of the level of risk assumed by the entity at December 31, 2015. Risk Category 1 includes those investments that meet any one of the following criteria.

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

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2015

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

COMPONENT UNIT – DDA – CASH AND INVESTMENTS - Concluded

DEPOSITS

At December 31, 2015, the book value of the Downtown Development Authority's demand deposits, consisting primarily of certificates of deposits and other cash equivalents, was \$4,053,118 with a corresponding bank balance of \$4,053,118. Qualifying deposits are insured by the FDIC up to \$250,000. Of the bank balance, approximately \$250,000 is insured (risk category #1) and the remaining \$3,803,118 is uninsured and uncollateralized (risk category #3).

NOTE 7: **EMPLOYEE BENEFITS**

A. **RETIREMENT PLAN**

Plan Description

Substantially all of the employees of the Township are covered by a pension plan. The current plan is a defined contribution plan requiring contributions by the Township of 12% to 13% of each employee's base salary. The plan is administered by the Township through Manulife Financial. The employer's current year covered payroll approximates \$3,021,665 (total current year payroll for all employees approximates \$3,021,665). Eligibility for coverage is the first work day on which the employee has reached age 18, but not more than 75 years of age, with 100% vesting after 48 months of employment. The Township's contribution for 2015 was \$317,615.

Summary of Significant Accounting Policies

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

Method Used to Value Investments

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

B. **DEFERRED COMPENSATION PLAN**

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

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2015

NOTE 8: LONG-TERM OBLIGATIONS

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

The following is a summary of long-term debt transactions of the primary government and all component units for the year ended December 31, 2015.

	BUSINESS- TYPE ACTIVITIES DEBT	GOVERNMENTAL ACTIVITIES DEBT	COMPONENT UNIT DEBT
As of January 1, 2015	\$ 45,085,000	\$ 1,320,000	\$ 71,945,000
Additions (Reductions)	(995,196)	(245,000)	(2,475,000)
As of December 31, 2015	<u>\$ 44,089,804</u>	<u>\$ 1,075,000</u>	<u>\$ 69,470,000</u>

Long-term debt at December 31, 2015 is comprised of the individual issues:

	BALANCE JANUARY 1, 2015	CAPITAL CONTRIBUTION	ADDITIONS (DEDUCTIONS)	BALANCE DECEMBER 31, 2015	AMOUNT DUE WITHIN ONE YEAR
Governmental Activities - Primary Government					
2005 Special Assessment General Obligation Limited Tax Bond, Series B	\$ 25,000	\$	\$(25,000)	\$	\$
Special Assessment Bonds Series 2010	1,290,000		(215,000)	1,075,000	215,000
Special Assessment Bonds Series 2007	5,000		(5,000)		
Accumulated compensated absences	<u>40,717</u>	<u> </u>	<u>2,584</u>	<u>43,301</u>	<u> </u>
Total Governmental Activities	<u>\$ 1,360,717</u>	<u>\$ </u>	<u>\$(242,416)</u>	<u>\$ 1,118,301</u>	<u>\$ 215,000</u>

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2015

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

	BALANCE JANUARY 1, 2015	CAPITAL CONTRIBUTION	ADDITIONS (DEDUCTIONS)	BALANCE DECEMBER 31, 2015	AMOUNT DUE WITHIN ONE YEAR
Business-Type Activities - Primary Government					
2009 Sewer Plant Expansion, Series A	\$ 11,425,000	\$	\$(230,000)	\$ 11,195,000	\$ 245,000
2009 Sewer Plant Expansion, Series B	16,435,000		(385,000)	16,050,000	400,000
Capital Improvement Bonds Series 2010-A	16,140,000		(330,000)	15,810,000	350,000
Clean Water State Revolving Funds (at December 31, 2013, \$842,262 was drawn on this loan with the remaining \$587,738 recorded as a receivable)	<u>1,085,000</u>	<u> </u>	<u>(50,196)</u>	<u>1,034,804</u>	<u>50,000</u>
Total Business-Type Activities	<u>\$ 45,085,000</u>	<u>\$ </u>	<u>\$(995,196)</u>	<u>\$ 44,089,804</u>	<u>\$ 1,045,000</u>
Component Unit					
2010 Downtown Development Authority Limited Tax General Obligation Bonds	\$ 7,025,000	\$	\$(1,475,000)	\$ 5,550,000	\$ 1,650,000
2008 Downtown Development Authority Limited Tax General Obligation Bonds	34,545,000		(100,000)	34,445,000	100,000
2008 Downtown Development Authority Limited Tax General Obligation Bonds	21,975,000		(100,000)	21,875,000	100,000
2008 Downtown Development Authority Limited Tax General Obligation Bonds Series 2008-A	3,255,000		(300,000)	2,955,000	300,000

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2015

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

	BALANCE JANUARY 1, 2015	CAPITAL CONTRIBUTION	ADDITIONS (DEDUCTIONS)	BALANCE DECEMBER 31, 2015	AMOUNT DUE WITHIN ONE YEAR
Component Unit - Concluded					
2008 Downtown Development Authority Limited Tax General Obligation Bonds Series 2008-B	<u>5,145,000</u>	_____	(<u>500,000</u>)	<u>4,645,000</u>	<u>500,000</u>
Total Component Unit	<u>\$ 71,945,000</u>	<u>\$ _____</u>	<u>\$ (2,475,000)</u>	<u>\$ 69,470,000</u>	<u>\$ 2,650,000</u>

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

	BUSINESS- TYPE ACTIVITIES	GOVERNMENTAL FUNDS	COMPONENT UNIT	TOTAL
YEAR ENDING DECEMBER 31,				
2016 Principal	\$ 1,045,000	\$ 215,000	\$ 2,650,000	\$ 3,910,000
Interest	2,063,421	31,659	1,950,892	4,045,972
Total	3,108,421	246,659	4,600,892	7,955,972
2017 Principal	1,095,000	215,000	2,850,000	4,160,000
Interest	2,025,734	25,585	1,404,381	3,455,700
Total	3,120,734	240,585	4,254,381	7,615,700
2018 Principal	1,145,000	215,000	3,050,000	4,410,000
Interest	1,984,621	18,866	1,353,631	3,357,118
Total	3,129,621	233,866	4,403,631	7,767,118
2019				
Principal	1,205,000	215,000	3,000,000	4,420,000
Interest	1,938,734	11,610	1,284,131	3,234,475
Total	3,143,734	226,610	4,284,131	7,654,475
2020				
Principal	1,265,000	215,000	3,100,000	4,580,000
Interest	1,890,396	3,924	1,181,131	3,075,451
Total	3,155,396	218,924	4,281,131	7,655,451
2021-2025				
Principal	7,390,000		18,800,000	26,190,000
Interest	8,595,315		3,880,388	12,475,703
Total	15,985,315		22,680,388	38,665,703

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2015

NOTE 8: LONG-TERM OBLIGATIONS – Concluded

	BUSINESS- TYPE ACTIVITIES	GOVERNMENTAL FUNDS	COMPONENT UNIT	TOTAL
YEAR ENDING DECEMBER 31,				
2026 – 2030				
Principal	\$ 9,460,000	\$	\$ 20,125,000	\$ 29,585,000
Interest	6,745,723		603,788	7,349,511
Total	16,205,723		20,728,788	36,934,511
2031 – 2035				
Principal	11,889,804		15,895,000	27,784,804
Interest	4,233,238			4,233,238
Total	16,123,042		15,895,000	32,018,042
2036 – 2040				
Principal	9,595,000			9,595,000
Interest	1,082,538			1,082,538
Total	10,677,538			10,677,538
TOTAL				
Principal	44,089,804	1,075,000	69,470,000	114,634,804
Interest	<u>30,559,720</u>	<u>91,644</u>	<u>11,658,342</u>	<u>42,309,706</u>
Total	<u>\$ 74,649,524</u>	<u>\$ 1,166,644</u>	<u>\$ 81,128,342</u>	<u>\$ 156,944,510</u>

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

NOTE 9: INTERFUND BALANCE

The amounts of interfund receivables and payables are as follows:

	DUE FROM	DUE TO
General	\$ 124,762	\$
Wastewater Treatment	32,418	231,489
Water Supply	221,568	217
Tax		23,634
Community Development	12,111	8,251
Open Space	6,699	
Building Inspection		121,422
Debt Service	763	
Trust and Agency	259,314	275,661
Library		624
Fire	<u>3,663</u>	
	<u>\$ 661,298</u>	<u>\$ 661,298</u>

CHARTER TOWNSHIP OF COMMERCE
 NOTES TO FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2015

NOTE 9: **INTERFUND BALANCE** - Concluded

RECONCILIATION TO STATEMENTS

	DUE FROM		DUE TO
Fiduciary	\$ 259,314		
Governmental	17,701		
Proprietary Funds	<u>22,280</u>	Fiduciary Funds	\$ <u>299,295</u>
	<u>\$ 299,295</u>		<u>\$ 299,295</u>

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

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

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

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

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

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

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

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

CHARTER TOWNSHIP OF COMMERCE
 NOTES TO FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2015

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

Fund Balance Classifications and Procedures

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

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

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

	GENERAL	FIRE	POLICE	LIBRARY
FUND BALANCES				
Nonspendable				
Prepays	\$ 31,848	\$ 43,758	\$	\$ 20,995
Restricted for				
Debt Service				
Library				6,889,979
Fire		2,580,724		
Police			501,158	
Building Inspection				
Open Space				
Museum				
Cemetery				
Committed for				
Budget Stabilization	1,280,079			
Improvement and Building				
Debt Service				
Assigned				
Road Improvement	668,141			
Retirement Health Benefits	498,275			
Unassigned	<u>9,045,948</u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>\$ 11,524,291</u>	<u>\$ 2,624,482</u>	<u>\$ 501,158</u>	<u>\$ 6,910,974</u>

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2015

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

	IMPROVEMENT AND BUILDING	DEBT SINKING FUND	OTHER GOVERNMENTAL FUND	TOTAL
FUND BALANCES				
Nonspendable				
Prepays	\$	\$	\$ 2,814	\$ 99,415
Restricted for				
Debt Service			2,120,233	2,120,233
Library				6,889,979
Fire				2,580,724
Police				501,158
Building Inspection			673,949	673,949
Open Space			993,277	993,277
Museum			170,153	170,153
Cemetery			331,541	331,541
Committed for				
Budget Stabilization				1,280,079
Improvement and Building	169,671			169,671
Debt Service		6,189,492		6,189,492
Assigned				
Road Improvement				668,141
Retirement Health Benefit				498,275
Unassigned	_____	_____	_____	<u>9,045,948</u>
TOTAL FUND BALANCES	<u>\$ 169,671</u>	<u>\$ 6,189,492</u>	<u>\$ 4,291,967</u>	<u>\$ 32,212,035</u>

NOTE 11: **CONTINGENT LIABILITY**

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

NOTE 12: **RISK MANAGEMENT**

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

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

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS – Continued
DECEMBER 31, 2015

NOTE 13: OPERATING TRANSFERS

FUND TRANSFERRED FROM	AMOUNT	FUND TRANSFERRED TO	PURPOSE
General fund	\$ 3,200,000	Debt service revolving fund	To transfer excess resources that will be used in the future to pay DDA debt service if necessary
General fund	5,000	Improvement and building	To pay special assessments
Sewer fund	50,924	Debt Service	To transfer excess SAD money
General fund	1,125	Cemetery fund	To transfer interest on CD
Debt service	<u>178</u>	General fund	To close out special assessment district
TOTAL TRANSFERS	\$ <u>3,257,227</u>		

NOTE 14: ACCRUED PAID TIME OFF

Accrued paid time off is recorded as a governmental fund liability at December 31, 2015 to the extent that it is to be liquidated with expendable available financial resources within the current operating cycle. Accrued paid time off earned as of December 31, 2015, but not liquidated within the current operating cycle, is recorded in the General Long-Term Debt Account Group.

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

NOTE 15: LONG-TERM ADVANCES

The following are the advances to the component unit at December 31, 2015:

FUND	DUE FROM	FUND	DUE TO
Debt service	\$ <u>6,650,000</u>	Downtown Development Authority	\$ <u>6,650,000</u>

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

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2015

NOTE 16: **POST EMPLOYMENT BENEFITS**

The Charter Township of Commerce offers post-employment health insurance benefits to its employees. These benefits are provided by contractual agreement and are paid annually by the General Fund. The Township funds these costs on a pay-as-you-go basis. The amounts are recorded as an expenditure when the fund liability is incurred. The benefit amounts incurred totaled \$32,221 during the year ended December 31, 2015. The total number of eligible retirees amounted to 2 at December 31, 2015. The Township pays 100% of these costs for firefighters and 25% of the costs for all other Township employees. There are no provisions for employee contributions. The Township has recorded a liability of \$43,478 for this benefit, based on an independent actuarial valuation.

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

Valuation as of December 31, 2015

Actuarial value of assets	\$	
Actuarial value of liabilities (AAL)		282,209
Unfunded AAL		282,209
Funded ratio		0%

Funding Progress

For the year ended December 31, 2015, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2015. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution	\$	1,599
Adjustment for prior year not held in trust		282,354
ARC adjustment	(3,581)
Interest on net OPEB obligation		<u>3,172</u>
Increase in OPEB obligation		283,544
Net OPEB obligation, January 1	(<u>240,066)</u>
UNDERFUNDED OPEB OBLIGATION, DECEMBER 31, 2015	\$	<u>43,478</u>

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Concluded
DECEMBER 31, 2015

NOTE 17: GUARANTEES

The Downtown Development Authority, a discretely present component unit, incurred \$79,275,000 of long term debt in 2004 to acquire property and construct the Martin Parkway road. The debt matures in 2034. At December 31, 2015, the outstanding principal was \$69,470,000. As part of the debt issuance, the Township agreed to guarantee the payments. The intent was to resell the surrounding land to be developed and to service the debt with the proceeds of the sales. Due to the economic downturn, land values have fallen resulting in shortages by the DDA. The Township has begun advancing payments to the DDA to make up the debt service payments. GASB Statement No. 70 requires the Township to make its best estimate of future outflows expected to be incurred as a result of the guarantee, and to record a liability equal to the discounted present value. Accrued interest on this guarantee as of December 31, 2015 was \$196,688.

DEBT GUARANTEE

Beginning balance	\$ 28,657,000
Current year additions	859,701
Current year reductions	<u>(1,514,561)</u>
Ending balance	<u>\$ 28,002,140</u>

Total payments made as of December 31, 2015 are \$9,805,000.

NOTE 18: FUND BALANCE RECLASSIFICATION

In prior years the retirement health benefits fund was shown as a separate special revenue fund. For the year ended December 31, 2015, the fund was combined with the general fund. Total beginning fund balance did not change, however, the general fund beginning fund balance increased by \$446,621 and the beginning other governmental funds fund balance decreased by \$446,621.

NOTE 19: UPCOMING ACCOUNTING PRONOUNCEMENTS

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72 *Fair Value Measurement and Application*. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Township is currently evaluating the impact this standard will have on the financial statements when adopted, during the Township's 2016 fiscal year.

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

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REQUIRED SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF COMMERCE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>BUDGETED AMOUNTS</u>			VARIANCE -
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes				
Current	\$ 2,267,774	\$ 2,531,808	\$ 2,528,754	\$ (3,054)
Penalties and interest on delinquent taxes				
Summer tax collection fee	90,000	107,084	107,084	
Trailer fees	6,000	6,000	5,864	(136)
Total Taxes	<u>2,363,774</u>	<u>2,644,892</u>	<u>2,641,702</u>	<u>(3,190)</u>
Licenses and Permits				
Building permits and fees	8,000	10,500	10,405	(95)
Other licenses	10,000	27,100	27,268	168
Cable television fees	400,000	639,985	603,767	(36,218)
Total Licenses and Permits	<u>418,000</u>	<u>677,585</u>	<u>641,440</u>	<u>(36,145)</u>
Intergovernmental revenues				
State revenue sharing	2,855,868	2,855,868	2,804,355	(51,513)
Charges for Services				
Zoning fees	5,000	10,000	10,250	250
Administration fees	235,000	180,000	178,070	(1,930)
DDA fees	100,000	100,000	100,000	
Other fees	49,000	80,841	79,789	(1,052)
Total Charges for Services	<u>389,000</u>	<u>370,841</u>	<u>368,109</u>	<u>(2,732)</u>
Fines and forfeitures	50,000	89,600	106,428	16,828
Rents	131,000	127,225	150,627	23,402
Reimbursements	10,000	3,500	4,374	874
Interest income	51,500	71,500	78,970	7,470
Miscellaneous	126,800	118,000	121,484	3,484
TOTAL REVENUES	<u>6,395,942</u>	<u>6,959,011</u>	<u>6,917,489</u>	<u>(41,522)</u>

CHARTER TOWNSHIP OF COMMERCE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - Continued

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>BUDGETED AMOUNTS</u>			VARIANCE -
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
EXPENDITURES				
General Government				
Township Board	\$ 27,500	\$ 28,715	\$ 27,699	\$ 1,016
Township Supervisor	119,655	119,655	120,085	(430)
Elections	8,000	8,000	3,977	4,023
Finance/human resources	121,374	121,374	119,859	1,515
Assessing	350,100	337,000	336,838	162
Legal fees	200,000	280,000	287,779	(7,779)
Township Clerk	356,422	308,908	308,862	46
Tax roll and data processing	20,250	20,250	19,528	722
Board of review	5,300	3,300	3,270	30
General services	139,500	103,900	93,609	10,291
Township Hall	320,853	283,990	279,294	4,696
Township Treasurer	345,545	320,751	320,261	490
Other costs	162,600	143,565	135,275	8,290
	<hr/>	<hr/>	<hr/>	<hr/>
Total General Government	2,177,099	2,079,408	2,056,336	23,072
Public Safety				
Police protection				
Ordinance enforcement	42,000	34,500	34,563	(63)
Planning and zoning	184,879	171,235	169,546	1,689
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Total Public Safety	226,879	205,735	204,109	1,626
Public Works				
Street lighting	16,500	17,925	17,925	
	<hr/>	<hr/>	<hr/>	<hr/>
Culture and Recreation				
Parks and recreation	438,857	394,562	341,586	52,976
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	2,859,335	2,697,630	2,619,956	77,674
	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER EXPENDITURES				
	3,536,607	4,261,381	4,297,533	36,152
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CHARTER TOWNSHIP OF COMMERCE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - Concluded
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>BUDGETED AMOUNTS</u>		ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
OTHER FINANCING USES				
Operating transfers in	\$	\$ 178	\$ 200,178	\$ 200,000
Operating transfers out	<u>(3,400,000)</u>	<u>(3,407,000)</u>	<u>(3,406,125)</u>	<u>875</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,400,000)</u>	<u>(3,406,822)</u>	<u>(3,205,947)</u>	<u>200,875</u>
EXCESS OF REVENUES AND AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES (BUDGETARY BASIS)				
	136,607	854,559	1,091,586	237,027
PRIOR PERIOD ADJUSTMENT				
FUND BALANCE, JANUARY 1	<u>10,432,705</u>	<u>10,432,705</u>	<u>10,432,705</u>	<u></u>
FUND BALANCE, DECEMBER 31	<u>\$ 10,569,312</u>	<u>\$ 11,287,264</u>	<u>\$ 11,524,291</u>	<u>\$ 237,027</u>

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes	\$ 2,955,432	\$ 2,959,993	\$ 2,956,082	\$ (3,911)
Interest on investments	25,000	24,000	23,144	(856)
Other	41,000	35,100	40,286	5,186
	3,021,432	3,019,093	3,019,512	419
EXPENDITURES				
Public safety	2,939,048	2,918,906	2,609,162	309,744
EXCESS OF REVENUES OVER EXPENDITURES				
	82,384	100,187	410,350	310,163
FUND BALANCE, JANUARY 1	2,214,132	2,214,132	2,214,132	
FUND BALANCE, DECEMBER 31	\$ 2,296,516	\$ 2,314,319	\$ 2,624,482	\$ 310,163

CHARTER TOWNSHIP OF COMMERCE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

POLICE FUND

FOR THE YEAR ENDED DECEMBER 31, 2015

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes	\$ 4,321,954	\$ 4,321,954	\$ 4,320,166	\$ (1,788)
Interest on investments	23,000	23,000	11,048	(11,952)
Other	140,056	140,056	166,072	26,016
	4,485,010	4,485,010	4,497,286	12,276
TOTAL REVENUES				
EXPENDITURES				
Public safety	4,457,789	4,457,789	4,390,001	67,788
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	27,221	27,221	107,285	80,064
FUND BALANCE, JANUARY 1	393,873	393,873	393,873	
FUND BALANCE, DECEMBER 31	\$ 421,094	\$ 421,094	\$ 501,158	\$ 80,064

CHARTER TOWNSHIP OF COMMERCE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

LIBRARY AND LIBRARY BUILDING FUND

FOR THE YEAR ENDED DECEMBER 31, 2015

	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Taxes	\$ 1,588,462	\$ 1,581,546	\$ 1,579,113	\$ (2,433)
Charges for services	2,000	2,000	1,870	(130)
Interest on investments	21,000	60,820	63,381	2,561
Other	<u>91,000</u>	<u>127,850</u>	<u>127,868</u>	<u>18</u>
TOTAL REVENUES	<u>1,702,462</u>	<u>1,772,216</u>	<u>1,772,232</u>	<u>16</u>
EXPENDITURES				
Culture and recreation	<u>2,918,567</u>	<u>2,765,637</u>	<u>2,685,905</u>	<u>79,732</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,216,105)	(993,421)	(913,673)	79,748
FUND BALANCE, JANUARY 1	<u>7,824,647</u>	<u>7,824,647</u>	<u>7,824,647</u>	
FUND BALANCE, DECEMBER 31	<u><u>\$ 6,608,542</u></u>	<u><u>\$ 6,831,226</u></u>	<u><u>\$ 6,910,974</u></u>	<u><u>\$ 79,748</u></u>

CHARTER TOWNSHIP OF COMMERCE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

IMPROVEMENT AND BUILDING FUND

FOR THE YEAR ENDED DECEMBER 31, 2015

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
REVENUES				
Charges for services	\$ 2,745,900	\$ 2,745,900	\$ 2,686,600	\$ (59,300)
Interest on investments	1,500	1,500	2,103	603
Other	47,076	47,076	45,999	(1,077)
	2,794,476	2,794,476	2,734,702	(59,774)
TOTAL REVENUES				
EXPENDITURES				
Capital outlay	2,730,000	2,750,935	2,670,854	80,081
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	64,476	43,541	63,848	20,307
OTHER FINANCING SOURCES				
Operating transfers in			5,000	5,000
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	64,476	43,541	68,848	25,307
FUND BALANCE, JANUARY 1	100,823	100,823	100,823	
FUND BALANCE, DECEMBER 31	\$ 165,299	\$ 144,364	\$ 169,671	\$ 25,307

COMBINING STATEMENTS

CHARTER TOWNSHIP OF COMMERCE

COMBINING BALANCE SHEET

GENERAL FUND

DECEMBER 31, 2015

ASSETS

	GENERAL	ROAD IMPROVEMENT	BUDGET STABILIZATION	RETIREMENT HEALTH BENEFITS	TOTAL GENERAL FUND
ASSETS					
Cash	\$ 9,691,639	\$ 467,508	\$ 1,280,079	\$ 173,275	\$ 11,612,501
Investments		200,633		325,000	525,633
Receivables					
Accounts	137,284				137,284
Taxes	1,751,179				1,751,179
Due from					
Other funds	124,762				124,762
Prepaid expenses	<u>31,848</u>				<u>31,848</u>
TOTAL ASSETS	<u>\$ 11,736,712</u>	<u>\$ 668,141</u>	<u>\$ 1,280,079</u>	<u>\$ 498,275</u>	<u>\$ 14,183,207</u>

LIABILITIES AND FUND BALANCE

LIABILITIES					
Payables					
Accounts	\$ 71,649	\$	\$	\$	\$ 71,649
Payroll and payroll taxes	<u>36,088</u>				<u>36,088</u>
TOTAL LIABILITIES	<u>107,737</u>				<u>107,737</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes levied for the following year	<u>2,551,179</u>				<u>2,551,179</u>
FUND BALANCE					
Nonspendable	31,848				31,848
Committed			1,280,079		1,280,079
Assigned		668,141		498,275	1,166,416
Unassigned	<u>9,045,948</u>				<u>9,045,948</u>
TOTAL FUND BALANCE	<u>9,077,796</u>	<u>668,141</u>	<u>1,280,079</u>	<u>498,275</u>	<u>11,524,291</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 11,736,712</u>	<u>\$ 668,141</u>	<u>\$ 1,280,079</u>	<u>\$ 498,275</u>	<u>\$ 14,183,207</u>

CHARTER TOWNSHIP OF COMMERCE

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

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2015

	GENERAL	ROAD IMPROVEMENT	BUDGET STABILIZATION	RETIREMENT HEALTH BENEFITS	TOTAL GENERAL FUND
REVENUES					
Taxes	\$ 2,641,702	\$	\$	\$	\$ 2,641,702
Licenses and permits	641,440				641,440
Intergovernmental	2,804,355				2,804,355
Charges for services and special assessments	368,109				368,109
Fines and forfeits	106,428				106,428
Interest and rentals	214,706	1,586	11,965	1,340	229,597
Other revenues	<u>52,323</u>			<u>73,535</u>	<u>125,858</u>
TOTAL REVENUES	<u>6,829,063</u>	<u>1,586</u>	<u>11,965</u>	<u>74,875</u>	<u>6,917,489</u>
EXPENDITURES					
General government	2,033,115			23,221	2,056,336
Public safety	204,109				204,109
Public works	17,925				17,925
Culture and recreation	<u>341,586</u>				<u>341,586</u>
TOTAL EXPENDITURES	<u>2,596,735</u>			<u>23,221</u>	<u>2,619,956</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>4,232,328</u>	<u>1,586</u>	<u>11,965</u>	<u>51,654</u>	<u>4,297,533</u>
OTHER FINANCING USES					
Operating transfers in	178	200,000			200,178
Operating transfers out	<u>(3,406,125)</u>				<u>(3,406,125)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,405,947)</u>	<u>200,000</u>			<u>(3,205,947)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	826,381	201,586	11,965	51,654	1,091,586
FUND BALANCE, JANUARY 1	<u>8,251,415</u>	<u>466,555</u>	<u>1,268,114</u>	<u>446,621</u>	<u>10,432,705</u>
FUND BALANCE, DECEMBER 31	<u>\$ 9,077,796</u>	<u>\$ 668,141</u>	<u>\$ 1,280,079</u>	<u>\$ 498,275</u>	<u>\$ 11,524,291</u>

CHARTER TOWNSHIP OF COMMERCE

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	SPECIAL REVENUE	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ 2,044,943	\$ 2,119,470	\$ 4,164,413
Investments	476,381		476,381
Receivables			
Taxes	508,477		508,477
Interest	1,136		1,136
Special assessments		211,591	211,591
Due from			
Other funds	18,810	763	19,573
Other governmental units	17,497		17,497
Prepaid expenses	2,814		2,814
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>3,070,058</u>	\$ <u>2,331,824</u>	\$ <u>5,401,882</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Payables			
Accounts	\$ 57,756	\$	\$ 57,756
Payroll and payroll taxes	2,418		2,418
Due to other funds	129,673		129,673
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>189,847</u>	<u> </u>	<u>189,847</u>
 DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for the following year	708,477	211,591	920,068
	<u> </u>	<u> </u>	<u> </u>
 FUND BALANCE			
Nonspendable	2,814		2,814
Restricted	2,168,920	2,120,233	4,289,153
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCE	<u>2,171,734</u>	<u>2,120,233</u>	<u>4,291,967</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
	\$ <u>3,070,058</u>	\$ <u>2,331,824</u>	\$ <u>5,401,882</u>

CHARTER TOWNSHIP OF COMMERCE

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2015

	SPECIAL REVENUE	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Taxes	\$ 628,592	\$	\$ 628,592
Intergovernmental	32,344		32,344
Interest income	16,369	17,007	33,376
Charges for services	814,836		814,836
Special assessments		147,140	147,140
Other revenues	<u>8,807</u>		<u>8,807</u>
TOTAL REVENUES	<u>1,500,948</u>	<u>164,147</u>	<u>1,665,095</u>
EXPENDITURES			
Public safety	462,726		462,726
Culture and recreation	1,223,708		1,223,708
Debt service			
Principal retirement		245,000	245,000
Interest and fiscal charges		39,220	39,220
Refunds		<u>131,895</u>	<u>131,895</u>
TOTAL EXPENDITURES	<u>1,686,434</u>	<u>416,115</u>	<u>2,102,549</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(185,486)</u>	<u>(251,968)</u>	<u>(437,454)</u>
OTHER FINANCING SOURCES (USES)			
Advance to DDA			
Operating transfers in	1,125	50,924	52,049
Operating transfers out		<u>(178)</u>	<u>(178)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,125</u>	<u>50,746</u>	<u>51,871</u>
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(184,361)</u>	<u>(201,222)</u>	<u>(385,583)</u>
FUND BALANCE, JANUARY 1	<u>2,356,095</u>	<u>2,321,455</u>	<u>4,677,550</u>
FUND BALANCE, DECEMBER 31	<u><u>\$ 2,171,734</u></u>	<u><u>\$ 2,120,233</u></u>	<u><u>\$ 4,291,967</u></u>

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GENERAL FUND

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

CHARTER TOWNSHIP OF COMMERCE

SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES -

BY CATEGORY

LAST TEN FISCAL PERIODS

(UNAUDITED)

	2006	2007	2008	2009
REVENUES				
Current property taxes	\$ 3,742,329	\$ 4,615,224	\$ 4,870,145	\$ 4,958,495
Delinquent taxes, penalties and interest	62,712	36,192	14,880	48,721
Payment in lieu of taxes	203			
State revenue sharing	2,106,393	2,069,395	2,129,800	1,880,486
Permits, licenses and fees	845,112	882,837	1,001,492	935,659
Interest on investments	448,209	430,206	259,225	94,048
Federal, state and local grants				
Other	72,917	53,283		
Miscellaneous fees	308,547	276,180	549,149	371,536
Other	<u>17,267</u>	<u>118,454</u>	<u>132,358</u>	<u>72,473</u>
 REVENUES BEFORE OTHER FINANCING SOURCES	 <u>7,603,689</u>	 <u>8,481,771</u>	 <u>8,957,049</u>	 <u>8,361,418</u>
 OTHER FINANCING SOURCES				
Operating transfers in	<u></u>	<u>3,771</u>	<u>180,729</u>	<u>28,001</u>
 TOTAL REVENUES AND OTHER FINANCING SOURCES	 <u>\$ 7,603,689</u>	 <u>\$ 8,485,542</u>	 <u>\$ 9,137,778</u>	 <u>\$ 8,389,419</u>

	2010	2011	2012	2013	2014	2015
\$	4,582,624	\$ 2,351,821	\$ 2,222,060	\$ 2,231,128	\$ 2,233,846	\$ 2,641,702
	46,232	3,586	(134)	898	4,156	
	1,946,143	2,645,702	2,598,220	2,669,514	2,754,611	2,804,355
	880,740	703,590	1,138,035	737,525	1,096,608	641,440
	54,524	35,439	58,984	77,769	139,764	78,970
	253,337	314,627	350,514	696,533	275,037	571,059
	<u>64,115</u>	<u>63,051</u>	<u>43,155</u>	<u>56,751</u>	<u>88,658</u>	<u>179,963</u>
	<u>7,827,715</u>	<u>6,117,816</u>	<u>6,410,834</u>	<u>6,470,118</u>	<u>6,592,680</u>	<u>6,917,489</u>
		<u>300,264</u>	<u>145,267</u>	<u>1,001,404</u>		<u>200,178</u>
\$	<u><u>7,827,715</u></u>	\$ <u><u>6,418,080</u></u>	\$ <u><u>6,556,101</u></u>	\$ <u><u>7,471,522</u></u>	\$ <u><u>6,592,680</u></u>	\$ <u><u>7,117,667</u></u>

CHARTER TOWNSHIP OF COMMERCE

SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -

BY ACTIVITY

LAST TEN FISCAL PERIODS

(UNAUDITED)

	2006	2007	2008	2009
EXPENDITURES				
Township Board	\$ 28,210	\$ 25,223	\$ 23,790	\$ 20,483
Township Supervisor	191,915	213,218	155,423	109,892
Assessing	571,537	533,689	541,639	535,417
Legal	356,619	230,302	287,497	270,733
Township Clerk	381,092	381,034	362,153	308,802
Finance/human resources	156,593	176,110	199,261	187,036
Board of review	5,900	6,500	9,023	8,477
Tax roll and data processing	6,658	9,691	26,376	27,304
Township Treasurer	348,700	355,780	372,783	352,344
Township Hall	93,430	83,785	79,638	258,798
General services	221,281	204,352	241,708	238,198
Police protection	3,011,096	3,318,489	3,796,695	3,624,118
Ordinance enforcement	105,814	70,316	73,449	67,742
Elections	71,460	23,827	108,794	7,787
Street lighting	7,435	15,739	22,508	16,825
Planning and zoning	244,480	180,417	165,032	156,887
Parks and recreation	304,344	315,117	324,317	320,145
Other costs	<u>163,486</u>	<u>178,864</u>	<u>173,690</u>	<u>145,782</u>
EXPENDITURES BEFORE OTHER FINANCING USES	6,270,050	6,322,453	6,963,776	6,656,770
OTHER FINANCING USES				
Improvement revolving fund		476,900		
Building and improvement fund				61,137
Building inspection	254,435	190,000	270,658	61,000
Fire fund	969,000	980,000	1,200,000	1,219,915
Road improvement fund				
Debt sinking fund				
Budget stabilization				674,385
Cemetery				
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ <u>7,493,485</u>	\$ <u>7,969,353</u>	\$ <u>8,434,434</u>	\$ <u>8,673,207</u>

	2010	2011	2012	2013	2014	2015
\$	17,488	\$ 16,900	\$ 26,627	\$ 23,145	\$ 25,492	\$ 27,699
	129,549	133,414	107,475	106,816	121,338	120,085
	337,224	324,184	324,191	323,607	325,302	336,838
	255,095	207,135	211,496	175,165	224,159	287,779
	316,780	327,943	350,120	329,560	376,413	308,862
	149,222	157,471	111,207	111,084	120,944	119,859
	8,550	13,339	12,331	3,144	3,485	3,270
	13,897	10,171	19,671	28,491	12,929	19,528
	293,046	321,201	288,386	274,602	313,853	320,261
	233,690	180,070	253,950	231,569	282,370	279,294
	358,352	145,109	212,173	149,463	94,255	93,609
	3,400,653	(287,774)	(1,585)			
	1,214	805	2,195	19,000	28,411	34,563
	66,821	9,601	145,105	23,299	57,921	3,977
	17,359	16,869	20,435	17,311	18,196	17,925
	137,646	134,367	144,959	142,059	143,916	169,546
	315,266	315,242	313,518	382,785	401,281	341,586
	197,594	157,483	91,236	132,100	106,599	112,054
	<u>6,249,446</u>	<u>2,183,530</u>	<u>2,633,490</u>	<u>2,473,200</u>	<u>2,656,864</u>	<u>2,596,735</u>
	40,439			633,357	668,933	5,000
	1,562,932			250,000		200,000
		2,000,000	2,000,000	2,500,000	3,045,000	3,200,000
	538,069					
	<u>8,390,886</u>	<u>4,183,530</u>	<u>4,633,490</u>	<u>5,856,557</u>	<u>6,370,797</u>	<u>6,002,860</u>

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SPECIAL REVENUE FUNDS

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

CHARTER TOWNSHIP OF COMMERCE

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

DECEMBER 31, 2015

	OPEN SPACE	BUILDING INSPECTION	COMMUNITY DEVELOPMENT
ASSETS			
Cash and cash equivalents	\$ 1,195,350	\$ 823,507	\$
Investments			
Receivables			
Interest			
Taxes	508,477		
Due from other funds	6,699		12,111
Due from other governmental units			17,497
Prepaid expenses		2,814	
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 1,710,526	\$ 826,321	\$ 29,608
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 8,772	\$ 25,718	\$ 21,357
Accrued payroll and other liabilities		2,418	
Due to other funds		121,422	8,251
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	8,772	149,558	29,608
	<u> </u>	<u> </u>	<u> </u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for the following year	708,477		
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE			
Nonspendable		2,814	
Restricted	993,277	673,949	
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCE	993,277	676,763	<u> </u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,710,526	\$ 826,321	\$ 29,608
	<u> </u>	<u> </u>	<u> </u>

MUSEUM	CEMETERY	TOTALS
\$ 14,610	\$ 11,476	\$ 2,044,943
155,543	320,838	476,381
	1,136	1,136
		508,477
		18,810
		17,497
		2,814
<u>170,153</u>	<u>333,450</u>	<u>3,070,058</u>
\$	\$	\$
	1,909	57,756
		2,418
		129,673
	1,909	189,847
		708,477
		2,814
<u>170,153</u>	<u>331,541</u>	<u>2,168,920</u>
<u>170,153</u>	<u>331,541</u>	<u>2,171,734</u>
<u>\$ 170,153</u>	<u>\$ 333,450</u>	<u>\$ 3,070,058</u>

CHARTER TOWNSHIP OF COMMERCE

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2015

	OPEN SPACE	BUILDING INSPECTION	COMMUNITY DEVELOPMENT
REVENUES			
Property taxes	\$ 628,592	\$	\$
Intergovernmental revenues			
Federal and state grants			32,344
Interest income	13,645		
Charges for services		807,136	
Miscellaneous revenue	<u>5,554</u>	<u> </u>	<u> </u>
TOTAL REVENUES	<u>647,791</u>	<u>807,136</u>	<u>32,344</u>
EXPENDITURES			
Community services	1,159,797		32,344
Public health and safety	<u> </u>	<u>462,726</u>	<u> </u>
TOTAL EXPENDITURES	<u>1,159,797</u>	<u>462,726</u>	<u>32,344</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(512,006)	344,410	
OTHER FINANCING USES			
Operating transfers in	<u> </u>	<u> </u>	<u> </u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(512,006)	344,410	
FUND BALANCE, JANUARY 1	<u>1,505,283</u>	<u>332,353</u>	<u> </u>
FUND BALANCE, DECEMBER 31	<u>\$ 993,277</u>	<u>\$ 676,763</u>	<u>\$</u>

MUSEUM	CEMETERY	TOTALS
\$	\$	\$ 628,592
		32,344
573	2,151	16,369
	7,700	814,836
<u>178</u>	<u>3,075</u>	<u>8,807</u>
<u>751</u>	<u>12,926</u>	<u>1,500,948</u>
	31,567	1,223,708
<u> </u>	<u> </u>	<u>462,726</u>
	31,567	1,686,434
<u> </u>	<u> </u>	
751	(18,641)	(185,486)
<u> </u>	<u> </u>	<u> </u>
	1,125	1,125
751	(17,516)	(184,361)
<u>169,402</u>	<u>349,057</u>	<u>2,356,095</u>
\$ <u><u>170,153</u></u>	\$ <u><u>331,541</u></u>	\$ <u><u>2,171,734</u></u>

CHARTER TOWNSHIP OF COMMERCE

NONMAJOR SPECIAL REVENUE FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF

INDIVIDUAL FUNDS - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2015

	OPEN SPACE		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES			
Property taxes	\$ 630,529	\$ 628,592	\$ (1,937)
Intergovernmental revenues			
Federal and state grants			
Interest income	10,000	13,645	3,645
Charges for services			
Miscellaneous revenue	<u>7,500</u>	<u>5,554</u>	<u>(1,946)</u>
TOTAL REVENUES	<u>648,029</u>	<u>647,791</u>	<u>(238)</u>
EXPENDITURES			
General government			
General services			
Community services	1,463,110	1,159,797	303,313
Public health and safety			
TOTAL EXPENDITURES	<u>1,463,110</u>	<u>1,159,797</u>	<u>303,313</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(815,081)	(512,006)	303,075
OTHER FINANCING USES			
Operating transfers in			
EXCESS (DEFICIENCY) OF OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(815,081)	(512,006)	303,075
FUND BALANCE, JANUARY 1	<u>1,505,283</u>	<u>1,505,283</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 690,202</u>	<u>\$ 993,277</u>	<u>\$ 303,075</u>

<u>BUILDING INSPECTION</u>			<u>COMMUNITY DEVELOPMENT</u>		
BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
\$	\$	\$	\$	\$	\$
			61,226	32,344	(28,882)
812,750	807,136	(5,614)			
<u>812,750</u>	<u>807,136</u>	<u>(5,614)</u>	<u>61,226</u>	<u>32,344</u>	<u>(28,882)</u>
508,826	462,726	46,100	61,226	32,344	28,882
<u>508,826</u>	<u>462,726</u>	<u>46,100</u>	<u>61,226</u>	<u>32,344</u>	<u>28,882</u>
303,924	344,410	40,486			
<u>303,924</u>	<u>344,410</u>	<u>40,486</u>			
332,353	332,353				
<u>332,353</u>	<u>332,353</u>				
\$ <u><u>636,277</u></u>	\$ <u><u>676,763</u></u>	\$ <u><u>40,486</u></u>	\$ <u><u> </u></u>	\$ <u><u> </u></u>	\$ <u><u> </u></u>

CHARTER TOWNSHIP OF COMMERCE

NONMAJOR SPECIAL REVENUE FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF

INDIVIDUAL FUNDS - BUDGET AND ACTUAL - Concluded

FOR THE YEAR ENDED DECEMBER 31, 2015

	MUSEUM		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES			
Property taxes	\$	\$	\$
Intergovernmental revenues			
Federal and state grants			
Interest income	1,000	573	(427)
Charges for services			
Miscellaneous revenue		178	178
	1,000	751	(249)
TOTAL REVENUES			
EXPENDITURES			
General government			
General services			
Community services			
Public health and safety			
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,000	751	(249)
OTHER FINANCING USES			
Operating transfers in			
EXCESS (DEFICIENCY) OF OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,000	751	(249)
FUND BALANCE, JANUARY 1	169,402	169,402	
FUND BALANCE, DECEMBER 31	\$ 170,402	\$ 170,153	\$ (249)

CEMETERY		
BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
\$	\$	\$
1,175	2,151	976
7,500	7,700	200
<u>3,075</u>	<u>3,075</u>	
<u>11,750</u>	<u>12,926</u>	<u>1,176</u>
32,000	31,567	433
<u>32,000</u>	<u>31,567</u>	<u>433</u>
(20,250)	(18,641)	1,609
<u>1,125</u>	<u>1,125</u>	
(19,125)	(17,516)	1,609
<u>349,057</u>	<u>349,057</u>	
<u>\$ 329,932</u>	<u>\$ 331,541</u>	<u>\$ 1,609</u>

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DEBT SERVICE FUNDS

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

CHARTER TOWNSHIP OF COMMERCE

NONMAJOR DEBT SERVICE FUNDS

COMBINING BALANCE SHEET

DECEMBER 31, 2015

	2010 LAKE SHERWOOD PAVING/ SHERWOOD ACRES PAVING SPECIAL ASSESSMENT G.O. BONDS	1992 LAKE PINE CAPITAL CHARGES SPECIAL ASSESSMENT G.O. BONDS	CENTRAL WEST
ASSETS			
Cash and cash equivalents	\$ 1,008,017	\$	\$ 861,907
Due from other funds		763	
Special assessments receivable	<u>207,853</u>	<u></u>	<u>2,345</u>
TOTAL ASSETS	\$ <u><u>1,215,870</u></u>	\$ <u><u>763</u></u>	\$ <u><u>864,252</u></u>
 DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
DEFERRED INFLOWS OF RESOURCES			
Special assessments	\$ <u>207,853</u>	\$ <u></u>	\$ <u>2,345</u>
FUND BALANCE			
Restricted	<u>1,008,017</u>	<u>763</u>	<u>861,907</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND AND FUND BALANCE	\$ <u><u>1,215,870</u></u>	\$ <u><u>763</u></u>	\$ <u><u>864,252</u></u>

2005 CENTRAL WEST ADDITIONAL CHARGES GREENLAWN SEWER CENTRAL WEST CAP CHARGES, SPECIAL PROJECTS #22	2003 LOWER MOUNT ROYAL WEST DREDGING, MIMOSA SEWER, SPECIAL PROJECTS #20 SPECIAL PROJECTS #21	2002 SPECIAL PROJECT #19 HILLS OF BOGIE LAKE SEWER SHADY POINTE SEWER WINEWOOD WATER LADD ROAD WATER	2005 MT. ROYAL BRIDGES, SPECIAL PROJECT #23	2006 SPECIAL PROJECT #24 SPECIAL PROJECT #25 BURNET SEWER	TOTAL
\$ 122,415	\$ 7,391	\$	\$ 77,549	\$ 42,191	\$ 2,119,470
				1,393	763
<u>122,415</u>	<u>7,391</u>	<u></u>	<u>77,549</u>	<u>43,584</u>	<u>211,591</u>
\$ <u>122,415</u>	\$ <u>7,391</u>	\$ <u></u>	\$ <u>77,549</u>	\$ <u>43,584</u>	\$ <u>2,331,824</u>
\$ <u></u>	\$ <u></u>	\$ <u></u>	\$ <u></u>	\$ 1,393	\$ 211,591
<u>122,415</u>	<u>7,391</u>	<u></u>	<u>77,549</u>	<u>42,191</u>	<u>2,120,233</u>
\$ <u>122,415</u>	\$ <u>7,391</u>	\$ <u></u>	\$ <u>77,549</u>	\$ <u>43,584</u>	\$ <u>2,331,824</u>

CHARTER TOWNSHIP OF COMMERCE
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2015

	2010 LAKE SHERWOOD PAVING/ SHERWOOD ACRES PAVING SPECIAL ASSESSMENT G.O. BONDS	1992 LAKE PINE CAPITAL CHARGES SPECIAL ASSESSMENT G.O. BONDS	CENTRAL WEST
REVENUES			
Interest income	\$ 13,068	\$	\$ 2,239
Special assessments	<u>109,970</u>	<u> </u>	<u>8,417</u>
TOTAL REVENUES	<u>123,038</u>	<u> </u>	<u>10,656</u>
EXPENDITURES			
Debt principal	215,000		
Debt interest and fees	37,695		
Refunds of assessments	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>252,695</u>	<u> </u>	<u> </u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(129,657)</u>	<u> </u>	<u>10,656</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in			
Operating transfers out	<u> </u>	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	<u> </u>	<u> </u>	<u> </u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(129,657)		10,656
FUND BALANCE, JANUARY 1	<u>1,137,674</u>	<u>763</u>	<u>851,251</u>
FUND BALANCE, DECEMBER 31	<u><u>\$ 1,008,017</u></u>	<u><u>\$ 763</u></u>	<u><u>\$ 861,907</u></u>

2005 CENTRAL WEST ADDITIONAL CHARGES GREENLAWN SEWER CENTRAL WEST CAP CHARGES, SPECIAL PROJECTS #22	2003 LOWER MOUNT ROYAL WEST DREDGING, MIMOSA SEWER, SPECIAL PROJECT #20, SPECIAL PROJECT #21	2002 SPECIAL PROJECT #19 HILLS OF BOGIE LAKE SEWER SHADY POINTE SEWER WINEWOOD WATER LADD ROAD WATER	2005 MT. ROYAL BRIDGES, SPECIAL PROJECT #23	2006 SPECIAL PROJECT #24 SPECIAL PROJECT #25 BURNET SEWER	TOTAL
\$ 327	\$ 4	\$ 112	\$ 733	\$ 524	\$ 17,007
<u>2,534</u>			<u>17,725</u>	<u>8,494</u>	<u>147,140</u>
<u>2,861</u>	<u>4</u>	<u>112</u>	<u>18,458</u>	<u>9,018</u>	<u>164,147</u>
			25,000	5,000	245,000
			1,325	200	39,220
		<u>131,895</u>			<u>131,895</u>
		<u>131,895</u>	<u>26,325</u>	<u>5,200</u>	<u>416,115</u>
<u>2,861</u>	<u>4</u>	<u>(131,783)</u>	<u>(7,867)</u>	<u>3,818</u>	<u>(251,968)</u>
			50,924		50,924
		<u>(178)</u>			<u>(178)</u>
		<u>(178)</u>	<u>50,924</u>		<u>50,746</u>
2,861	4	(131,961)	43,057	3,818	(201,222)
<u>119,554</u>	<u>7,387</u>	<u>131,961</u>	<u>34,492</u>	<u>38,373</u>	<u>2,321,455</u>
\$ <u><u>122,415</u></u>	\$ <u><u>7,391</u></u>	\$ <u><u></u></u>	\$ <u><u>77,549</u></u>	\$ <u><u>42,191</u></u>	\$ <u><u>2,120,233</u></u>

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COMPONENT UNIT

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

The component unit of the Charter Township of Commerce is:

Downtown Development Authority

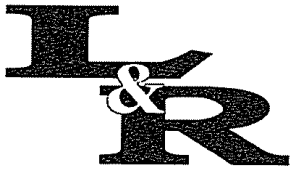
CHARTER TOWNSHIP OF COMMERCE
COMPONENT UNIT
DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET
DECEMBER 31, 2015

	CAPITAL PROJECTS
ASSETS	
Cash and cash equivalents	\$ 4,053,118
Prepaid expenses	<u>2,850</u>
TOTAL ASSETS	\$ <u><u>4,055,968</u></u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ <u>25,961</u>
 FUND BALANCE	
Restricted for Community Towne Place pathway	268,000
Unassigned	<u>3,762,007</u>
TOTAL FUND BALANCE	<u>4,030,007</u>
 TOTAL LIABILITIES AND FUND BALANCE	 \$ <u><u>4,055,968</u></u>

CHARTER TOWNSHIP OF COMMERCE
COMPONENT UNIT
DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2015

REVENUES	
Current property taxes	\$ 1,278,895
Other income	5,182,621
Interest income	7,741
TOTAL REVENUES	<u>6,469,257</u>
EXPENDITURES	
Professional fees	267,825
Wages	52,573
Construction	548,962
Debt service	
Principal	2,475,000
Interest and fees	1,964,913
TOTAL EXPENDITURES	<u>5,309,273</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,159,984
FUND BALANCE, JANUARY 1	<u>2,870,023</u>
FUND BALANCE, DECEMBER 31	<u><u>\$ 4,030,007</u></u>

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Layton & Richardson, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Township Board
Charter Township of Commerce
Commerce, Michigan

1000 Coolidge Road
East Lansing, MI 48823

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

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Commerce, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Charter Township of Commerce's basic financial statements and have issued our report thereon dated June 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter Township of Commerce's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Township of Commerce's internal control. Accordingly we do not express an opinion on the effectiveness of the Charter Township of Commerce's internal control.

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

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

Compliance and Other Matters

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

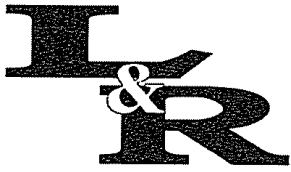
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

East Lansing, Michigan
June 14, 2016



Layton & Richardson, P.C.

Certified Public Accountants

LETTER OF COMMENTS AND RECOMMENDATIONS

Township Board
Charter Township of Commerce
Commerce, Michigan

1000 Coolidge Road
East Lansing, MI 48823

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

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

In planning and performing our audit of the financial statements of Charter Township of Commerce, as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Charter Township of Commerce's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously communicated to you about the Township's internal control in our letter dated June 14, 2016. This letter does not affect our report dated June 14, 2016, on the financial statements of Charter Township of Commerce.

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

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

East Lansing, Michigan
June 14, 2016

Certified Public Accountants

MEMORANDUM

PRIOR YEAR RECOMMENDATIONS

ESCROW DEPOSITS

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

CURRENT YEAR RECOMMENDATIONS

BANK RECONCILIATIONS

Currently, the person reconciling the bank accounts is also an authorized check signer. We recommend that someone independent of the check signing and check preparation functions prepare the bank reconciliations.

CASH DEPOSITS

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