

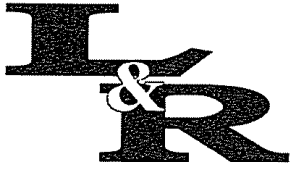
CHARTER TOWNSHIP OF COMMERCE
OAKLAND COUNTY, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
AND
INDEPENDENT AUDITORS' REPORT

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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 unit, each major fund, and the aggregate remaining fund information of the **Charter Township of Commerce**, as of and for the year ended December 31, 2017, 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 unit, each major fund, and the aggregate remaining fund information of the Charter Township of Commerce, as of December 31, 2015, 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.

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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 21, 2018, 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 21, 2018
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, 2017. 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 2017 with \$32.0 million of fund balance, which represents 17 months of governmental revenue (20 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 \$19 million as the present value of the estimated outflows it currently expects to make to support this debt.

In planning for this financial obligation, the Township requested additional funding from its residents for 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	
	2017	2016	2017	2016	2017	2016
Cash and investments	\$ 41,216	\$ 30,165	\$ 21,646	\$ 19,629	\$ 62,862	\$ 49,794
Other assets	6,659	14,223	6,227	4,711	12,886	18,934
Long term advance to DDA	9,150	8,150	-	-	9,150	8,150
Capital assets	32,898	30,617	113,440	116,121	146,338	146,738
Total assets	89,923	83,155	141,313	140,461	231,236	223,616
Deferred inflows of resources	-	-	866	-	866	-
Current liabilities	1,117	1,662	2,784	2,510	3,901	4,172
Long-term liabilities	19,095	24,717	41,390	41,922	60,485	66,639
Total liabilities	20,212	26,379	44,174	44,432	64,386	70,811
Deferred inflows of resources	13,973	13,009	-	-	13,973	13,009
Net position:						
Net investment in capital assets	32,898	30,022	71,746	73,105	104,644	103,127
Restricted	8,560	9,349	5,908	5,849	14,468	15,198
Unrestricted	14,280	4,396	20,351	17,075	34,631	21,471
Total net position	\$ 55,738	\$ 43,767	\$ 98,005	\$ 96,029	\$ 153,743	\$ 139,796

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		Business Type		Total Primary	
	Activities		Activities		Government	
	2017	2016	2017	2016	2017	2016
Revenue						
Program revenue:						
Charges for services	\$ 1,185	\$ 1,079	\$ 18,081	\$ 18,791	\$ 19,266	\$ 19,870
Grants & donations	-	313	-	-	-	313
General revenue:						
Property taxes & assessments	17,077	16,198	-	-	17,077	16,198
State shared revenue	3,067	2,833	-	-	3,067	2,833
Miscellaneous	458	587	-	-	458	587
Investment earnings	509	442	255	178	764	620
Debt guarantee recovery	5,202	3,760	-	-	5,202	3,760
Transfers	(1)	-	1	-	-	-
Total revenue	<u>27,497</u>	<u>25,212</u>	<u>18,337</u>	<u>18,969</u>	<u>45,834</u>	<u>44,181</u>
Program Expenses						
General government	1,161	3,452	-	-	1,161	3,452
Public safety	8,592	8,012	-	-	8,592	8,012
Public works	2,849	2,718	16,813	18,832	19,662	21,550
Community development	37	190	-	-	37	190
Culture and recreation	1,872	925	-	-	1,872	925
Other	1,000	1,127	-	-	1,000	1,127
Interest on long-term debt	15	26	-	-	15	26
Total expenses	<u>15,526</u>	<u>16,450</u>	<u>16,813</u>	<u>18,832</u>	<u>32,339</u>	<u>35,282</u>
Change in Net Position	<u>\$ 11,971</u>	<u>\$ 8,762</u>	<u>\$ 1,524</u>	<u>\$ 137</u>	<u>\$ 13,495</u>	<u>\$ 8,899</u>

Government-Wide Financial Analysis

In 2017, total primary government revenues exceeded expenses by \$13.5 million. Along with the increase in net position, total assets increased by \$7.6 million. The Township spent over \$3.3 million on governmental activities capital asset additions. During 2017, the Township advanced an additional \$1.0 million to the DDA. 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 \$6.9 million, net of the interest cost of \$727,000 for the current year, resulted in a "debt guarantee recovery" of \$5.2 million.

Waste water treatment plant charges decreased \$2.6 million which led to a decrease in total Water and Sewer system revenue. The decreased waste water revenue was largely offset by a \$2.1 million decrease in sewage treatment expenses. The Water fund saw increased operating revenues of \$1.8 million.

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 14, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township 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 2017 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 two special assessment project funds, as well as the following funds: Open Space Fund, Building Inspection Fund, Community Development Fund, Museum Fund, and Cemetery 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 (\$2.3 million in 2017) 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.
- The Wastewater Treatment Plant Fund and the Water Supply Fund both have set their operating rates sufficient to meet all cash outlay operating costs (excluding depreciation) plus a portion of the wastewater treatment plant debt service related costs and reserve for long-term repair, replacement, and construction costs. 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. The Wastewater Treatment Plant Fund increased its net position by \$751,000 while the Water Supply Fund's net position increased by \$773,000 due to sales revenue exceeding operating expenses. The Wastewater Treatment Plant Fund increased its cash balance by \$1.0 million while the Water Supply Fund's cash balance increased by \$1.4 million.

Charter Township of Commerce, Michigan

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

During 2017 the General Fund budget did not require significant amendments. During the year, actual revenues were \$720,000 greater than budgetary estimates largely due to state revenue sharing and cable television fees exceeding expectations. Expenditures were less than budget by \$365,000. Following transfers out, the fund balance increased \$1.9 million.

Capital Asset and Debt Administration

At the end of 2017, the Township had \$146 million invested in a broad range of capital assets, including buildings, office equipment, fire vehicles and equipment, a wastewater treatment plant, and water and sewer lines. During 2017, the governmental activities replaced or improved over \$3.3 million of capital assets. The business-type activities expended \$1.7 million for capital asset improvements.

The Township's only governmental activity debt consisting of special assessment bonds was paid off during the year. Business-type activity debt is \$43 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 \$62.9 million of long-term debt that was used to acquire property and construct Martin Parkway. The intent was to re-sell the land to be developed, and the land sale proceeds would have serviced the debt. However, the recession of 2008-2010 has reduced the fair market value of the land, and current projections estimate the land may ultimately sell for significantly less than this amount. The future DDA tax captures will make up much of this difference, but the Township has begun making advances to the DDA in order to enable it to make its scheduled debt service payments.

The Charter Township of Commerce's most recent debt issuances received ratings of AA+ from Standard & Poor's and Aa1 from Moody's.

Economic Factors and Next Year's Budgets and Rates

Overall real property taxable value has increased more than 5 percent from 2017 taxable levels. This is due largely to significant building and development within the Township. Accordingly, we expect an increase in our special assessment revenues for Fire and Police services and State shared revenue.

The Township finished a renovation and expansion of its Community Center, which acts as the location for all senior services we provide, as well as a venue Township residents can rent for private functions. The renovations included a 5,000 square foot ballroom addition, complete re-engineering of the electrical, mechanical and HVAC services, as well as reconfiguring the previously existing structure to make it more A.D.A. compliant and senior-friendly. The total cost of the renovation and expansion was \$2.1 million, which was fully funded without issuing debt. The Community Center reopened for services in April, 2018. Senior services were continued during construction by using the Library as an alternative site.

Charter Township of Commerce, Michigan

Management's Discussion and Analysis (Continued)

Commerce Township, along with the cities of Walled Lake and Wixom, is a member of the Commerce, Walled Lake and Wixom Trailway Management Council. Construction of a non-motorized bridge over M-5 is expected to be complete in 2018. The bridge is being built by MDOT at a cost to them of \$3.5 million. The Township has designated funds to this project to enhance the bridge's appearance.

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

In early 2018, First & Main senior housing opened a new location in Commerce Township, addressing the growing needs for this service in our area. Their expansion into memory care and senior independent living services is scheduled to commence in 2019.

In April, 2018 the Downtown Development Authority ("DDA") sold land to developer to build an early child care/daycare facility. The construction is in progress, and the facility is scheduled to open in 2018.

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.

CHARTER TOWNSHIP OF COMMERCE

STATEMENT OF NET POSITION

DECEMBER 31, 2017

ASSETS

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
ASSETS				
Current Assets				
Cash	\$ 40,318,799	\$ 21,645,757	\$ 61,964,556	\$ 484,929
Investments	897,054		897,054	
Receivables				
Interest	1,969		1,969	
Debt guarantee interest	403,626		403,626	
Taxes	5,641,544		5,641,544	
Accounts	182,256	5,206,895	5,389,151	
Special assessments	62,124	488,658	550,782	
Prepaid expenses	58,971	53,190	112,161	3,469
Land held for sale				17,292,428
Due from				
Other funds	535	253,986	254,521	
Other governmental units	18,359	224,743	243,102	
Noncurrent Assets				
Long-term advance	9,150,000		9,150,000	
Net OPEB asset	290,134		290,134	
Fixed assets not being depreciated	12,551,492	498,069	13,049,561	
Fixed assets (net of accumulated depreciation)	<u>20,346,279</u>	<u>112,941,624</u>	<u>133,287,903</u>	
TOTAL ASSETS	89,923,142	141,312,922	231,236,064	17,780,826
DEFERRED OUTFLOWS OF RESOURCES				
Bond refunding		<u>865,955</u>	<u>865,955</u>	
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 89,923,142</u>	 <u>\$ 142,178,877</u>	 <u>\$ 232,102,019</u>	 <u>\$ 17,780,826</u>

See accompanying notes to financial statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
LIABILITIES				
Current Liabilities				
Payables				
Accounts	\$ 989,484	\$ 1,191,467	\$ 2,180,951	\$ 12,909
Payroll and payroll taxes	127,779		127,779	
Due to other funds		230,943	230,943	
Due to other units		41,018	41,018	
Accrued interest		147,608	147,608	301,897
Accrued interest - debt guarantee				403,626
Unearned revenue		3,469	3,469	
Bonds and notes payable		1,170,000	1,170,000	1,120,000
Noncurrent Liabilities				
Bonds and notes payable		41,389,474	41,389,474	60,592,750
Debt guarantee	19,040,004		19,040,004	
Long-term advance				9,150,000
Accrued sick and vacation pay	<u>54,639</u>		<u>54,639</u>	
TOTAL LIABILITIES	<u>20,211,906</u>	<u>44,173,979</u>	<u>64,385,885</u>	<u>71,581,182</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for the following year and special assessments	<u>13,973,008</u>		<u>13,973,008</u>	
NET POSITION				
Net investment in capital assets	32,897,771	71,746,174	104,643,945	
Restricted for				
Debt service	60,534		60,534	
Major maintenance		1,066,021	1,066,021	
Emergency repair		1,175,349	1,175,349	
Capital improvement		3,666,140	3,666,140	
Special purposes	8,499,685		8,499,685	
Unrestricted	<u>14,280,238</u>	<u>20,351,214</u>	<u>34,631,452</u>	<u>(53,800,356)</u>
TOTAL NET POSITION	<u>55,738,228</u>	<u>98,004,898</u>	<u>153,743,126</u>	<u>(53,800,356)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 89,923,142</u>	<u>\$ 142,178,877</u>	<u>\$ 232,102,019</u>	<u>\$ 17,780,826</u>

NET (EXPENSE) REVENUE AND
CHANGES IN NET POSITION

PRIMARY GOVERNMENT			COMPONENT UNIT
GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL	
\$ (88,971)	\$	\$ (88,971)	\$
(8,528,211)		(8,528,211)	
(2,830,941)		(2,830,941)	
(7,209)		(7,209)	
(1,870,586)		(1,870,586)	
(1,000,000)		(1,000,000)	
(15,298)		(15,298)	
<u>(14,341,216)</u>		<u>(14,341,216)</u>	
	555,425	555,425	
	713,171	713,171	
	<u>1,268,596</u>	<u>1,268,596</u>	
<u>(14,341,216)</u>	<u>1,268,596</u>	<u>(13,072,620)</u>	
			<u>(2,540,571)</u>
7,082,289		7,082,289	1,507,182
9,994,158		9,994,158	
5,202,316		5,202,316	
458,478		458,478	64,758
3,066,887		3,066,887	430,488
(763)	763		
509,423	255,117	764,540	4,619
<u>26,312,788</u>	<u>255,880</u>	<u>26,568,668</u>	<u>2,007,047</u>
11,971,572	1,524,476	13,496,048	(533,524)
43,766,656	96,029,109	139,795,765	(53,266,832)
	<u>451,313</u>	<u>451,313</u>	
<u>\$ 55,738,228</u>	<u>\$ 98,004,898</u>	<u>\$ 153,743,126</u>	<u>\$ (53,800,356)</u>

CHARTER TOWNSHIP OF COMMERCE

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2017

	GENERAL	FIRE	POLICE
ASSETS			
Cash	\$ 14,139,062	\$ 5,540,662	\$ 4,488,546
Investments	697,054		
Receivables			
Interest			
Taxes	1,148,330	1,415,507	1,944,849
Accounts	182,256		
Special assessments			
Due from			
Other funds	189,488	3,663	
Other governmental units			
Prepaid expenses	<u>23,126</u>	<u>23,126</u>	<u> </u>
TOTAL ASSETS	<u>\$ 16,379,316</u>	<u>\$ 6,982,958</u>	<u>\$ 6,433,395</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Payables			
Accounts	\$ 45,080	\$ 77,045	\$ 389,181
Payroll and payroll taxes	43,155	49,512	
Due to other funds	<u>81,129</u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>169,364</u>	<u>126,557</u>	<u>389,181</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for the following year and special assessments	2,711,606	3,681,112	4,955,005
Unavailable revenue	<u> </u>	<u> </u>	<u> </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,711,606</u>	<u>3,681,112</u>	<u>4,955,005</u>
FUND BALANCE			
Nonspendable	23,126	23,126	
Restricted		3,152,163	1,089,209
Committed	1,307,552		
Assigned	817,304		
Unassigned	<u>11,350,364</u>	<u> </u>	<u> </u>
TOTAL FUND BALANCE	<u>13,498,346</u>	<u>3,175,289</u>	<u>1,089,209</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 16,379,316</u>	<u>\$ 6,982,958</u>	<u>\$ 6,433,395</u>

See accompanying notes to financial statements.

LIBRARY	IMPROVEMENT AND BUILDING	DEBT SINKING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 2,447,982	\$ 1,032,808	\$ 9,160,376	\$ 3,509,363 200,000	\$ 40,318,799 897,054
1,969 814,715			318,143	1,969 5,641,544
			62,124	182,256 62,124
			18,810	211,961
			18,359	18,359
<u>11,563</u>			<u>1,156</u>	<u>58,971</u>
\$ <u>3,276,229</u>	\$ <u>1,032,808</u>	\$ <u>9,160,376</u>	\$ <u>4,127,955</u>	\$ <u>47,393,037</u>
\$ 27,877 25,818 <u>624</u>	\$ 222,533		\$ 227,768 9,294 <u>129,673</u>	\$ 989,484 127,779 <u>211,426</u>
<u>54,319</u>	<u>222,533</u>		<u>366,735</u>	<u>1,328,689</u>
1,888,022			737,263 <u>62,124</u>	13,973,008 <u>62,124</u>
<u>1,888,022</u>			<u>799,387</u>	<u>14,035,132</u>
11,563 1,322,325	810,275	9,160,376	1,156 2,960,677	58,971 8,524,374 11,278,203 817,304 <u>11,350,364</u>
<u>1,333,888</u>	<u>810,275</u>	<u>9,160,376</u>	<u>2,961,833</u>	<u>32,029,216</u>
\$ <u>3,276,229</u>	\$ <u>1,032,808</u>	\$ <u>9,160,376</u>	\$ <u>4,127,955</u>	\$ <u>47,393,037</u>

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CHARTER TOWNSHIP OF COMMERCE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
DECEMBER 31, 2017

Total fund balances - governmental funds		\$ 32,029,216
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 \$42,640,988 and the accumulated depreciation is \$9,743,217.		32,897,771
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.		9,150,000
Interest receivable from long term advances.		403,626
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.		290,134
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:		
Accrued compensated absences	\$ (54,639)	
Debt guarantee	<u>(19,040,004)</u>	
		(19,094,643)
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>62,124</u>
 Total net position - governmental activities		 <u><u>\$ 55,738,228</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, 2017

	GENERAL	FIRE	POLICE
REVENUES			
Taxes	\$ 2,411,326	\$ 3,177,048	\$ 4,606,591
Licenses and permits	757,214		
Intergovernmental	3,085,246		
Charges for services and special assessments	370,730		
Fines and forfeits	127,382		
Interest and rentals	282,121	41,163	23,809
Other revenues	51,099	48,408	414,151
	<u>7,085,118</u>	<u>3,266,619</u>	<u>5,044,551</u>
TOTAL REVENUES			
EXPENDITURES			
General government	2,052,621		
Public safety	224,634	3,058,894	4,517,902
Public works	36,627		
Culture and recreation	416,903		
Debt service			
Principal retirement			
Interest and fiscal charges			
Other			
Capital outlay			
	<u>2,730,785</u>	<u>3,058,894</u>	<u>4,517,902</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,354,333</u>	<u>207,725</u>	<u>526,649</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in			
Operating transfers out	<u>(2,407,457)</u>		
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,407,457)</u>		
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,946,876	207,725	526,649
FUND BALANCE, JANUARY 1	<u>11,551,470</u>	<u>2,967,564</u>	<u>562,560</u>
FUND BALANCE, DECEMBER 31	<u>\$ 13,498,346</u>	<u>\$ 3,175,289</u>	<u>\$ 1,089,209</u>

See accompanying notes to financial statements.

LIBRARY	IMPROVEMENT AND BUILDING	DEBT SINKING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 1,695,946	\$	\$	\$ 664,688	\$ 12,555,599
			24,977	757,214
1,734	2,745,042		1,467,003	3,110,223
20,788	9,761	107,931	23,850	4,584,509
133,419	61,009		5,261	127,382
<u>1,851,887</u>	<u>2,815,812</u>	<u>107,931</u>	<u>2,185,779</u>	<u>713,347</u>
				2,052,621
			947,677	8,749,107
2,241,719			1,634,476	36,627
			595,000	4,293,098
			15,298	595,000
		1,000,000		15,298
	2,806,580			1,000,000
<u>2,241,719</u>	<u>2,806,580</u>	<u>1,000,000</u>	<u>3,192,451</u>	<u>2,806,580</u>
<u>(389,832)</u>	<u>9,232</u>	<u>(892,069)</u>	<u>(1,006,672)</u>	<u>2,809,366</u>
	107,457	2,300,000		2,407,457
			(763)	(2,408,220)
	107,457	2,300,000	(763)	(763)
(389,832)	116,689	1,407,931	(1,007,435)	2,808,603
1,723,720	693,586	7,752,445	3,969,268	29,220,613
<u>\$ 1,333,888</u>	<u>\$ 810,275</u>	<u>\$ 9,160,376</u>	<u>\$ 2,961,833</u>	<u>\$ 32,029,216</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, 2017

Net changes in fund balances - total governmental funds	\$	2,808,603
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives.		
Expenditures for capital assets		3,347,860
Less: current year depreciation		(1,060,679)
Less: loss on sale of assets		(6,682)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred inflows - special assessments		(63,661)
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.		
Accrued interest		1,439
Accrued sick and vacation		(9,736)
Retiree health insurance		15,181
Interest receivable on long-term advance		141,931
Long term advance		1,000,000
Principal payments		595,000
Debt guarantee reduction		<u>5,202,316</u>
Change in net position of governmental activities	\$	<u><u>11,971,572</u></u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2017

BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS

	WASTE WATER TREATMENT PLANT	WATER SUPPLY	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 14,760,808	\$ 6,884,949	\$ 21,645,757
Accounts receivable	2,414,372	2,792,523	5,206,895
Special assessments receivable	488,658		488,658
Due from other funds	32,418	221,568	253,986
Due from other units	222,612	2,131	224,743
Prepaid expenses	30,064	23,126	53,190
	<u>17,948,932</u>	<u>9,924,297</u>	<u>27,873,229</u>
TOTAL CURRENT ASSETS			
PROPERTY, PLANT, AND EQUIPMENT			
Buildings and structures	131,843,057	44,695,556	176,538,613
Less: accumulated depreciation	<u>47,366,927</u>	<u>15,731,993</u>	<u>63,098,920</u>
	<u>84,476,130</u>	<u>28,963,563</u>	<u>113,439,693</u>
NET PROPERTY, PLANT, AND EQUIPMENT			
DEFERRED OUTFLOWS OF RESOURCES			
Bond Refunding	<u>865,955</u>		<u>865,955</u>
	<u>865,955</u>		<u>865,955</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES			
	<u>\$ 103,291,017</u>	<u>\$ 38,887,860</u>	<u>\$ 142,178,877</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	\$ 368,903	\$ 822,564	\$ 1,191,467
Due to other funds	230,726	217	230,943
Due to other units	41,018		41,018
Accrued interest	147,608		147,608
Unearned revenue		3,469	3,469
Bonds payable	<u>1,170,000</u>		<u>1,170,000</u>
TOTAL CURRENT LIABILITIES	<u>1,958,255</u>	<u>826,250</u>	<u>2,784,505</u>
LONG-TERM LIABILITIES			
Bonds payable	<u>41,389,474</u>		<u>41,389,474</u>
TOTAL LIABILITIES	<u>43,347,729</u>	<u>826,250</u>	<u>44,173,979</u>
NET POSITION			
Net investment in capital assets	42,782,611	28,963,563	71,746,174
Restricted for			
Major maintenance	854,235	211,786	1,066,021
Emergency repair	175,724	999,625	1,175,349
Capital improvement	1,236,314	2,429,826	3,666,140
Unrestricted	<u>14,894,404</u>	<u>5,456,810</u>	<u>20,351,214</u>
TOTAL NET POSITION	<u>59,943,288</u>	<u>38,061,610</u>	<u>98,004,898</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 103,291,017</u>	<u>\$ 38,887,860</u>	<u>\$ 142,178,877</u>

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	WASTE WATER TREATMENT PLANT	WATER SUPPLY	TOTAL
OPERATING REVENUES			
Charges for services	\$ 9,898,122	\$ 8,183,278	\$ 18,081,400
OPERATING EXPENSES			
Engineering	133,466	102,977	236,443
Maintenance	103,251	771,558	874,809
Sewage treatment	2,001,289		2,001,289
Pump maintenance	1,165,714	70,416	1,236,130
System control	241,493	28,579	270,072
Plan review and permitting	166,375	30,193	196,568
Inspection	51,916		51,916
IPP	18,194		18,194
Mapping	33,057	14,742	47,799
Billing services	73,638	66,105	139,743
Professional and contractual services	32,032	341	32,373
Depreciation	3,283,787	1,117,227	4,401,014
General and administrative	426,547	85,479	512,026
Water purchases		5,182,490	5,182,490
TOTAL OPERATING EXPENSES	7,730,759	7,470,107	15,200,866
OPERATING INCOME	2,167,363	713,171	2,880,534
NONOPERATING REVENUES (EXPENSES)			
Interest earned	195,131	59,986	255,117
Interest expense	(1,611,938)		(1,611,938)
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,416,807)	59,986	(1,356,821)
GAIN BEFORE OPERATING TRANSFERS	750,556	773,157	1,523,713
OPERATING TRANSFERS			
Operating transfers in	763		763
NET GAIN	751,319	773,157	1,524,476
NET POSITION, JANUARY 1	58,740,656	37,288,453	96,029,109
PRIOR PERIOD ADJUSTMENT	451,313		451,313
NET POSITION, DECEMBER 31	\$ 59,943,288	\$ 38,061,610	\$ 98,004,898

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	WASTEWATER TREATMENT PLANT	WATER SUPPLY	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 9,860,115	\$ 7,397,577	\$ 17,257,692
Cash payment for goods and services	<u>(4,486,761)</u>	<u>(6,356,863)</u>	<u>(10,843,624)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>5,373,354</u>	<u>1,040,714</u>	<u>6,414,068</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of fixed assets	(1,587,879)	(131,368)	(1,719,247)
Principal payments	(10,010,000)		(10,010,000)
Bond proceeds	9,230,000		9,230,000
Bond refunding	(865,955)		(865,955)
Unamortized bond discount	322,965		322,965
Decrease in investments		400,000	400,000
Interest and fiscal charges paid	<u>(1,611,938)</u>	<u>400,000</u>	<u>(1,611,938)</u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(4,522,807)</u>	<u>268,632</u>	<u>(4,254,175)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>195,131</u>	<u>62,119</u>	<u>257,250</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,045,678	1,371,465	2,417,143
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>13,715,130</u>	<u>5,513,484</u>	<u>19,228,614</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 14,760,808</u>	<u>\$ 6,884,949</u>	<u>\$ 21,645,757</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - Concluded
FOR THE YEAR ENDED DECEMBER 31, 2017

BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS

	WASTEWATER TREATMENT PLANT	WATER SUPPLY	TOTAL
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ <u>2,167,363</u>	\$ <u>713,171</u>	\$ <u>2,880,534</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	3,283,787	1,117,227	4,401,014
Increase in receivables	(38,008)	(786,394)	(824,402)
(Increase) decrease in due to other units	(3,872)	693	(3,179)
(Increase) decrease in prepaid expenses	14,526	(23,126)	(8,600)
Increase (decrease) in accounts payable	(51,322)	15,674	(35,648)
Decrease in accrued interest	(8,387)		(8,387)
Increase in unearned revenue		3,469	3,469
Increase in due to other units	<u>9,267</u>	<u> </u>	<u>9,267</u>
Total adjustments	<u>3,205,991</u>	<u>327,543</u>	<u>3,533,534</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u><u>5,373,354</u></u>	\$ <u><u>1,040,714</u></u>	\$ <u><u>6,414,068</u></u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE

FIDUCIARY FUNDS

COMBINING BALANCE SHEET

DECEMBER 31, 2017

	<u>AGENCY FUNDS</u>		<u>TRUST FUND</u>	
	TRUST AND AGENCY	CURRENT TAX COLLECTION	DEFINED CONTRIBUTION PENSION PLAN	TOTALS
ASSETS				
Cash and cash equivalents	\$ 1,111,615	\$ 2,953,500	\$	\$ 4,065,115
Investments	1,000,000		5,421,187	6,421,187
Due from other funds	<u>259,314</u>			<u>259,314</u>
TOTAL ASSETS	<u>\$ 2,370,929</u>	<u>\$ 2,953,500</u>	<u>\$ 5,421,187</u>	<u>\$ 10,745,616</u>
LIABILITIES				
Deposits payable				
Refundable bonds	\$ 1,590,001	\$	\$	\$ 1,590,001
Escrow deposits	497,647			497,647
Due to other funds	281,578	1,314		282,892
Due to Township		2,140,089		2,140,089
Due to other governmental units		812,097		812,097
Other liabilities	<u>1,703</u>			<u>1,703</u>
TOTAL LIABILITIES	<u>2,370,929</u>	<u>2,953,500</u>		<u>5,324,429</u>
NET POSITION				
Held in trust for benefits			<u>5,421,187</u>	<u>5,421,187</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,370,929</u>	<u>\$ 2,953,500</u>	<u>\$ 5,421,187</u>	<u>\$ 10,745,616</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, 2017

	PENSION TRUST
ADDITIONS	
Contributions	
Employer	\$ 351,428
Employee	62,487
Investment income	
Gain on investments	834,316
Other additions	2,708
	1,250,939
TOTAL ADDITIONS	1,250,939
DEDUCTIONS	
Benefits	
Refunds of contributions	98,490
Administrative fee	
	98,490
TOTAL DEDUCTIONS	98,490
NET INCREASE	1,152,449
NET POSITION, JANUARY 1	4,268,738
NET POSITION, DECEMBER 31	\$ 5,421,187

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF NET POSITION
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
DECEMBER 31, 2017

ASSETS		
Cash and cash equivalents		\$ 484,929
Prepaid expenses		3,469
Land held for sale		<u>17,292,428</u>
TOTAL ASSETS		\$ <u>17,780,826</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
Current Liabilities		
Accounts payable		\$ 12,909
Accrued interest		301,897
Accrued interest - debt guarantee		403,626
Bonds payable		1,120,000
Noncurrent Liabilities		
Long-term advance		9,150,000
Long-term debt obligations		<u>60,592,750</u>
TOTAL LIABILITIES		<u>71,581,182</u>
NET POSITION		
Unrestricted		<u>(53,800,356)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		\$ <u>17,780,826</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, 2017

	PROGRAM REVENUES			TOTAL
EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	DOWNTOWN DEVELOPMENT AUTHORITY
Component Unit Downtown Development Authority	\$ <u>2,540,571</u>	\$ <u> </u>	\$ <u> </u>	\$ <u>(2,540,571)</u>
General Revenues				
Property taxes				1,507,182
Miscellaneous				64,758
Gain on sale of land				430,488
Unrestricted investment earnings				<u>4,619</u>
Total General Revenues and Transfers				<u>2,007,047</u>
Change in Net Position				(533,524)
Net Position, January 1				<u>(53,266,832)</u>
Net Position, December 31				<u>\$ (53,800,356)</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF COMMERCE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 42,000 residents (which includes Village of Wolverine Lake) 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, snow plowing, 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, 2017

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, 2017

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

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

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, 2017

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, 2017 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, 2017, the Township had no significant inventories on hand. The component unit recorded all the land they own as land held for sale. The cost of this land, less an impairment adjustment, at December 31, 2017 was \$17,292,428.

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 acquisition 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, 2017

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

G. Capital Assets - Concluded

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	3-20
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, 2017

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 21, 2018, 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 2017, the Township did not incur expenditures in budgetary funds which were in excess of the amount appropriated.

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, 2017**

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, 2017, the Township had \$2,952,186 in property tax collections and related receipts in this fund which are payable to various units of which \$2,140,089 was due to the Township itself.

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

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 which is recognized as revenue when collected and remitted to the Township DDA from the tax account. Property taxes levied on December 1, 2016, have been recorded as revenues in the current financial statements. Property taxes levied on December 1, 2017 have been recorded as taxes receivable with corresponding amounts recorded as deferred inflows in the Township's taxing funds.

As of 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 2016 levy was as follows:

Taxable property valuation:	\$ <u>1,848,101,887</u>
Millage rates:	
General township operating	1.4100
Charter police	.3000
Charter library	.3000
Voted library	.6895
Voted parks/open space	.3878

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 5: CAPITAL ASSETS

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

	JANUARY 1, 2017	ADDITIONS	DELETIONS	DECEMBER 31, 2017
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ <u>12,543,140</u>	\$ <u>8,352</u>	\$ _____	\$ <u>12,551,492</u>
Capital assets being depreciated				
Buildings	17,917,623	1,944,346		19,861,969
Improvements	3,469,845	321,135	55,828	3,735,152
Machinery and equipment	5,404,717	933,616	599,595	5,738,738
Books and materials	<u>613,226</u>	<u>140,411</u>	_____	<u>753,637</u>
Total capital assets being depreciated	<u>27,405,411</u>	<u>3,339,508</u>	<u>655,423</u>	<u>30,089,496</u>
Less: accumulated depreciation				
Buildings	3,711,076	447,485		4,158,561
Improvements	899,896	156,575	55,828	1,000,643
Machinery and Equipment	4,377,505	338,492	592,913	4,123,084
Books and materials	<u>342,802</u>	<u>118,127</u>	_____	<u>460,929</u>
Total accumulated depreciation	<u>9,331,279</u>	<u>1,060,679</u>	<u>648,741</u>	<u>9,743,217</u>
Total capital assets being depreciated – net	<u>18,074,132</u>	<u>2,278,829</u>	<u>6,682</u>	<u>20,346,279</u>
NET CAPITAL ASSETS	<u>\$ 30,617,272</u>	<u>\$ 2,287,181</u>	<u>\$ 6,682</u>	<u>\$ 32,897,771</u>

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

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	\$ 328,545
Public safety	310,674
Culture and recreation	387,908
Public works	<u>33,552</u>
TOTAL DEPRECIATION EXPENSE GOVERNMENTAL ACTIVITIES	 <u>\$ 1,060,679</u>

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

	JANUARY 1, 2017	ADDITIONS	DELETIONS	DECEMBER 31, 2017
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ <u>6,481</u>	\$ <u>491,588</u>	\$ _____	\$ <u>498,069</u>
Capital assets being depreciated				
Buildings and Infrastructure	174,812,884	1,227,660		176,040,544
Less: accumulated depreciation				
Buildings and infrastructure	<u>58,697,906</u>	<u>4,401,014</u>	_____	<u>63,098,920</u>
Total Capital assets being depreciated – net	<u>116,114,978</u>	(<u>3,173,354</u>)	_____	<u>112,941,624</u>
NET CAPITAL ASSETS	\$ <u>116,121,459</u>	\$ (<u>2,681,766</u>)	\$ _____	\$ <u>113,439,693</u>

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 5: **CAPITAL ASSETS - Concluded**

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

GOVERNMENTAL ACTIVITY	AMOUNT
Wastewater	\$ 3,283,787
Water	<u>1,117,227</u>
TOTAL DEPRECIATION EXPENSE BUSINESS-TYPE ACTIVITIES	<u>\$ 4,401,014</u>

NOTE 6: **CASH AND INVESTMENTS**

The Township's deposits and investments at December 31, 2017 are included on the balance sheet under the following classifications:

	CASH AND CASH EQUIVALENTS	INVESTMENTS	CARRYING AMOUNT TOTAL
Deposits – Bank	\$ 66,028,965	\$	\$ 66,028,965
Investments held by			
Bank		897,054	897,054
Defined contribution plan	<u> </u>	<u>6,421,187</u>	<u>6,421,187</u>
	66,028,965	7,318,241	73,347,206
Petty cash and cash on hand	<u>706</u>	<u> </u>	<u>706</u>
Total cash and investments	<u>\$ 66,029,671</u>	<u>\$ 7,318,241</u>	<u>\$ 73,347,912</u>

**RECONCILIATION TO
STATEMENTS**

Governmental Funds	\$ 40,318,799	\$ 897,054	\$ 41,215,853
Proprietary Funds	21,645,757		21,645,757
Fiduciary Funds	<u>4,065,115</u>	<u>6,421,187</u>	<u>10,486,302</u>
	<u>\$ 66,029,671</u>	<u>\$ 7,318,241</u>	<u>\$ 73,347,912</u>

CHARTER TOWNSHIP OF COMMERCE
 NOTES TO FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2017

NOTE 6: **CASH AND INVESTMENTS - Continued**

DEPOSITS

At December 31, 2017, the book value of the Township's demand deposits, consisting primarily of certificates of deposits and other cash equivalents, was \$66,029,671 with a corresponding bank balance of \$66,423,518.

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, 2017. 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

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by:

- A. The counterparty, or
- B. The counterparty's trust department (or agent) but not in the Township's name.

	CATEGORY			CARRYING AMOUNT	MARKET VALUE
	1	2	3		
Investment type					
Certificates of deposit	\$ <u>897,054</u>	\$ _____	\$ _____	\$ <u>897,054</u>	\$ <u>897,054</u>
Investments not subject to categorization					
Defined contribution plan	_____	<u>6,421,187</u>	_____	<u>6,421,187</u>	<u>6,421,187</u>
TOTAL INVESTMENTS	\$ <u>897,054</u>	\$ <u>6,421,187</u>	\$ _____	\$ <u>7,318,241</u>	\$ <u>7,318,241</u>

Investments are stated at fair value, which is based on provided market values.

Deposits and investments are in compliance with statutory authority.

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. As of December 31, 2017, \$63,588,618 of the government’s bank balance of \$66,423,518 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>63,588,618</u>
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COMPONENT UNIT – DDA – CASH AND INVESTMENTS

The Authority’s deposits and investments at December 31, 2017 are included on the balance sheet under the following classifications:

	CASH AND CASH EQUIVALENTS
Deposits – bank	\$ <u>484,929</u>

DEPOSITS

At December 31, 2017, the book value of the Downtown Development Authority’s demand deposits, consisting primarily of certificates of deposits and other cash equivalents, was \$484,929 with a corresponding bank balance of \$484,929. Qualifying deposits are insured by the FDIC up to \$250,000. Of the bank balance, approximately \$484,929 is insured (risk category #1) and the remaining \$0 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 13% of each employee’s base salary. The plan is administered by the Township through John Hancock. The employer’s current year covered payroll approximates \$2,705,043 (total current year payroll for all employees approximates \$3,531,209). 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 2017 was \$352,040.

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.

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 7: **EMPLOYEE BENEFITS - Concluded**

A. RETIREMENT PLAN - Concluded

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

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.

During 2016, the Township refunded three bonds. The discount on these bonds is combined with the principal balance and amortized over the life of the bonds.

During 2017, the Township refunded a bond. The discount/premium on this bond is combined with the principal balance and amortized over the life of the bond.

The following is a summary of long-term debt transactions of the primary government and all component units for the year ended December 31, 2017.

	BUSINESS- TYPE ACTIVITIES DEBT	GOVERNMENTAL ACTIVITIES DEBT	COMPONENT UNIT DEBT
As of January 1, 2017	\$ 43,016,509	\$ 595,000	\$ 62,920,000
Additions (Reductions) - Net	(457,035)	(595,000)	(1,207,250)
As of December 31, 2017	<u>\$ 42,559,474</u>	<u>\$ _____</u>	<u>\$ 61,712,750</u>

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

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

Long-term debt at December 31, 2017 is comprised of the individual issues:

	BALANCE JANUARY 1, 2017	REFUNDED	ADDITIONS (DEDUCTIONS)	BALANCE DECEMBER 31, 2017	AMOUNT DUE WITHIN ONE YEAR
Governmental Activities - Primary Government					
Special Assessment Bonds Series 2010	\$ 595,000	\$	\$(595,000)	\$	\$
Accumulated compensated absences	<u>44,903</u>	<u> </u>	<u>9,736</u>	<u>54,639</u>	<u> </u>
Total Governmental Activities	<u>\$ 639,903</u>	<u>\$</u>	<u>\$(585,264)</u>	<u>\$ 54,639</u>	<u>\$</u>
Business-Type Activities - Primary Government					
2009 Sewer Plant Expansion, Series A	\$ 535,000	\$	\$(260,000)	\$ 275,000	\$ 275,000
2009 Sewer Plant Expansion, Series B	855,000		(420,000)	435,000	435,000
Capital Improvement Bonds Series 2010-A	15,460,000	(8,915,000)	(365,000)	6,180,000	385,000
Clean Water State Revolving Funds	984,804		(50,000)	934,804	50,000
2016 Capital Improvement Refunding Bonds	24,380,000			24,380,000	
Bond discount	801,705		(37,727)	763,978	
2017 Capital Improvement Refunding Bonds			9,230,000	9,230,000	25,000
Bond discount	<u> </u>	<u> </u>	<u>360,692</u>	<u>360,692</u>	<u> </u>
Total Business-Type Activities	<u>\$ 43,016,509</u>	<u>\$(8,915,000)</u>	<u>\$ 8,457,965</u>	<u>\$ 42,559,474</u>	<u>\$ 1,170,000</u>

The township refunded one bond during 2017. The Net Present Value Savings on this bond is as follows:

NPV Savings on 2017 Capital Improvement Bonds	\$ 478,051
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CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 8: LONG-TERM OBLIGATIONS - Continued

The net cash flow required to service the old debt obligation would have been \$16,622,775 and the cash flow required to service the new debt obligations is \$15,909,748, a gross savings of \$713,027.

	BALANCE JANUARY 1, 2017	REFUNDED	ADDITIONS (DEDUCTIONS)	BALANCE DECEMBER 31, 2017	AMOUNT DUE WITHIN ONE YEAR
Component Unit					
2008 Downtown Development Authority Limited Tax General Refunding Obligation Bonds	\$ 34,345,000	\$	\$(100,000)	\$ 34,245,000	\$ 100,000
2008 Downtown Development Authority Limited Tax General Obligation Bonds	200,000		(100,000)	100,000	100,000
2008 Downtown Development Authority Limited Tax General Obligation Bonds Series 2008-A	600,000		(300,000)	300,000	300,000
2016 Downtown Development Authority Limited Tax General Obligation Bonds Series 2016-A	21,335,000			21,335,000	
Bond discount	1,745,000		(87,250)	1,657,750	
2016 Downtown Development Authority Limited Tax General Obligation Bonds Series 2016-B	3,695,000		(120,000)	3,575,000	120,000
2008 Downtown Development Authority Limited Tax General Obligation Bonds Series 2008-B	<u>1,000,000</u>	<u> </u>	<u>(500,000)</u>	<u>500,000</u>	<u>500,000</u>
Total Component Unit	<u>\$ 62,920,000</u>	<u>\$</u>	<u>\$(1,207,250)</u>	<u>\$ 61,712,750</u>	<u>\$ 1,120,000</u>

The township refunded three bonds during 2016. The Net Present Value Savings on these bonds are as follows:

NPV Savings on 2016 Capital Improvement Bonds	\$ 3,068,130
NPV Savings on 2016 - A DDA Refunding Bonds	2,235,486
NPV Savings on 2016 - B DDA Refunding Bonds	180,549

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 8: LONG-TERM OBLIGATIONS – Continued

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

	BUSINESS- TYPE ACTIVITIES	COMPONENT UNIT	TOTAL
YEAR ENDING DECEMBER 31,			
2018			
Principal	\$ 1,170,000	\$ 1,120,000	\$ 2,290,000
Interest	1,723,085	1,694,534	3,417,619
Amortization	54,635	87,250	141,885
Total	2,947,720	2,901,784	5,849,504
2019			
Principal	1,255,000	2,925,000	4,180,000
Interest	1,676,697	1,601,774	3,278,471
Amortization	54,635	87,250	141,885
Total	2,986,332	4,614,024	7,600,356
2020			
Principal	1,300,000	2,985,000	4,285,000
Interest	1,643,497	1,525,118	3,168,615
Amortization	54,635	87,250	141,885
Total	2,998,132	4,597,368	7,595,500
2021			
Principal	1,370,000	3,245,000	4,615,000
Interest	1,592,997	1,439,336	3,032,333
Amortization	54,635	87,250	141,885
Total	3,017,632	4,771,586	7,789,218
2022			
Principal	1,435,000	3,605,000	5,040,000
Interest	1,539,297	1,327,944	2,867,241
Amortization	54,635	87,250	141,885
Total	3,028,932	5,020,194	8,049,126
2023 – 2027			
Principal	8,280,000	18,270,000	26,550,000
Interest	6,734,497	4,524,002	11,258,499
Amortization	273,174	436,250	709,424
Total	15,287,671	23,230,252	38,517,923
2028 – 2032			
Principal	10,460,000	20,010,000	30,470,000
Interest	4,670,914	1,340,600	6,011,514
Amortization	273,174	436,250	709,424
Total	15,404,088	21,786,850	37,190,938

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 8: LONG-TERM OBLIGATIONS – Concluded

	BUSINESS- TYPE ACTIVITIES	COMPONENT UNIT	TOTAL
YEAR ENDING DECEMBER 31,			
2033 – 2037			
Principal	\$ 12,319,804	\$ 7,895,000	\$ 20,214,804
Interest	2,519,652	62,320	2,581,972
Amortization	273,174	349,000	622,174
Total	15,112,630	8,306,320	23,418,950
2038-2039			
Principal	3,845,000		3,845,000
Interest	214,200		214,200
Amortization	31,973		31,973
Total	4,091,173		4,091,173
TOTAL			
Principal	41,434,804	60,055,000	101,489,804
Interest	22,314,836	13,515,628	35,830,464
Amortization	<u>1,124,670</u>	<u>1,657,750</u>	<u>2,782,420</u>
Total	<u>\$ 64,874,310</u>	<u>\$ 75,228,378</u>	<u>\$140,102,688</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	\$ 189,488	\$ 81,129
Wastewater Treatment	32,418	230,726
Water Supply	221,568	217
Tax		1,314
Community Development	12,111	8,251
Open Space	6,699	
Building Inspection		121,422
Trust and Agency	259,314	281,578
Library		624
Fire	<u>3,663</u>	
	<u>\$ 725,261</u>	<u>\$ 725,261</u>

CHARTER TOWNSHIP OF COMMERCE
 NOTES TO FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2017

NOTE 9: **INTERFUND BALANCE** - Concluded

RECONCILIATION TO STATEMENTS

	DUE FROM		DUE TO
Fiduciary	\$ 259,314	Fiduciary	\$ 282,892
Governmental	535	Governmental	
Proprietary	<u>253,986</u>	Proprietary	<u>230,943</u>
	<u>\$ 513,835</u>		<u>\$ 513,835</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, 2017

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	\$ 23,126	\$ 23,126	\$	\$ 11,563
Restricted for				
Debt Service				
Library				1,322,325
Fire		3,152,163		
Police			1,089,209	
Building Inspection				
Open Space				
Museum				
Cemetery				
Committed for				
Budget Stabilization	1,307,552			
Improvement and Building				
Debt Service				
Assigned				
Road Improvement	817,304			
Unassigned	<u>11,350,364</u>	_____	_____	_____
TOTAL FUND BALANCES	<u>\$ 13,498,346</u>	<u>\$ 3,175,289</u>	<u>\$ 1,089,209</u>	<u>\$ 1,333,888</u>

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

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

	IMPROVEMENT AND BUILDING	DEBT SINKING FUND	OTHER GOVERNMENTAL FUND	TOTAL
FUND BALANCES				
Nonspendable				
Prepays	\$	\$	\$ 1,156	\$ 58,971
Restricted for				
Debt Service			60,534	60,534
Library				1,322,325
Fire				3,152,163
Police				1,089,209
Building Inspection			1,810,996	1,810,996
Open Space			602,347	602,347
Museum			173,199	173,199
Cemetery			313,601	313,601
Committed for				
Budget Stabilization				1,307,552
Improvement and Building	810,275			810,275
Debt Service		9,160,376		9,160,376
Assigned				
Road Improvement				817,304
Unassigned	_____	_____	_____	<u>11,350,364</u>
TOTAL FUND BALANCES	<u>\$ 810,275</u>	<u>\$ 9,160,376</u>	<u>\$ 2,961,833</u>	<u>\$ 32,029,216</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, 2017

NOTE 13: OPERATING TRANSFERS

FUND TRANSFERRED FROM	AMOUNT	FUND TRANSFERRED TO	PURPOSE
General fund	\$ 2,300,000	Debt service revolving fund	To transfer excess resources that will be used in the future to pay DDA debt service if necessary
General fund	<u>107,457</u>	Improvement and building	To pay special assessments
TOTAL TRANSFERS	\$ <u>2,407,457</u>		
Debt Service Fund	<u>\$ 763</u>	Sewer Fund	To close out special assessment District

NOTE 14: ACCRUED PAID TIME OFF

Accrued paid time off is recorded as a governmental fund liability at December 31, 2017 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, 2017, 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, 2017:

FUND	DUE FROM	FUND	DUE TO
Downtown Development Authority	<u>\$ 9,150,000</u>	Debt service	<u>\$ 9,150,000</u>

The advances were made for cash flow purposes so that the DDA have funds available to cover current debt costs. The general fund and debt sinking 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. As cash flow allows, payment is made to the Township.

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

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 \$0 during the year ended December 31, 2017. The total number of eligible retirees amounted to 0 at December 31, 2017. There were 46 active employees. 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 an asset of \$290,134 for this benefit, based on an independent actuarial valuation. The Township has established a Retirement Health Funding Vehicle with the Municipal Employees' Retirement System of Michigan. The Funding Vehicle has a balance of \$363,287 at December 31, 2017. The Plan does not issue a separate financial report.

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	\$ 363,287
Actuarial value of liabilities (AAL)	(282,209)
Overfunded AAL	81,078
Funded ratio	129%

Funding Progress

For the year ended December 31, 2017, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2017. 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	\$ 7,159
Contribution held in trust	(25,000)
ARC adjustment	23,281
Interest on net OPEB obligation	(<u>20,621</u>)
Increase in OPEB obligation	(15,181)
Net OPEB obligation, January 1	(<u>274,953</u>)
 OVERFUNDED OPEB OBLIGATION, DECEMBER 31, 2017	 \$(<u>290,134</u>)

The following simplifying assumptions were made:

The valuation used the following actuarial assumptions applied to all periods, unless specified:

Price inflation	5.00%
Salary increase	5.00% (including merit and seniority)
Investment rate of return	7.5%
Health care trend rate	9.00% (in the first year gradually decreasing to 5% in year 9)

CHARTER TOWNSHIP OF COMMERCE
NOTES TO FINANCIAL STATEMENTS - Concluded
DECEMBER 31, 2017

NOTE 16: POST EMPLOYMENT BENEFITS - Concluded

Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 55-70

Marital status of members at the calculation date was assumed to continue throughout retirement.

Life expectancies were based on: RP 2000 Combined Healthy Mortality Table

NOTE 17: GUARANTEES

The Downtown Development Authority, a discretely presented component unit, incurred \$79,275,000 of long term debt in 2004 to acquire property and construct Martin Parkway. The debt matures in 2034. At December 31, 2017, the outstanding principal was \$60,055,000. 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, 2017 was \$403,626.

DEBT GUARANTEE

Beginning balance	\$ 24,242,320
Current year additions	1,727,270
Current year reductions	<u>(6,929,586)</u>
Ending balance	<u>\$ 19,040,004</u>

The Township has advanced a total of \$10,950,000 to the DDA, of which \$1,800,000 has been repaid leaving an outstanding balance of \$9,150,000.

NOTE 18: UPCOMING ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued nine pronouncements in June 2015, 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. 75 establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB plans. GASB Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

In January 2017, GASB statement No. 84, Fiduciary Activities, was issued which will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities.

NOTE 19: PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been made to the sewer fund to correct the recording of the special assessments receivable.

Sewer	<u>\$ 451,313</u>
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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, 2017

	<u>BUDGETED AMOUNTS</u>		ACTUAL	VARIANCE -
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes				
Current	\$ 2,416,068	\$ 2,416,068	\$ 2,295,253	\$ (120,815)
Penalties and interest on delinquent taxes	10,000	10,000		(10,000)
Summer tax collection fee	90,000	90,000	110,062	20,062
Trailer fees	<u>6,120</u>	<u>6,120</u>	<u>6,011</u>	<u>(109)</u>
Total Taxes	<u>2,522,188</u>	<u>2,522,188</u>	<u>2,411,326</u>	<u>(110,862)</u>
Licenses and Permits				
Building permits and fees	24,000	24,000	56,077	32,077
Other licenses	500	500	4,200	3,700
Cable television fees	<u>450,000</u>	<u>450,000</u>	<u>701,137</u>	<u>251,137</u>
Total Licenses and Permits	<u>474,500</u>	<u>474,500</u>	<u>761,414</u>	<u>286,914</u>
Intergovernmental revenues				
State revenue sharing	2,759,474	2,759,474	3,066,887	307,413
Metro fees	<u>18,000</u>	<u>18,000</u>	<u>18,359</u>	<u>359</u>
Total Intergovernmental Revenues	<u>2,777,474</u>	<u>2,777,474</u>	<u>3,085,246</u>	<u>307,772</u>
Charges for Services				
Zoning fees	6,000	6,000	7,600	1,600
Administration fees	200,000	200,000	209,148	9,148
DDA fees	100,000	100,000	100,000	
Other fees	<u>45,000</u>	<u>45,000</u>	<u>49,782</u>	<u>4,782</u>
Total Charges for Services	<u>351,000</u>	<u>351,000</u>	<u>366,530</u>	<u>15,530</u>
Fines and forfeitures	<u>51,000</u>	<u>51,000</u>	<u>127,382</u>	<u>76,382</u>
Rents	<u>134,300</u>	<u>134,300</u>	<u>203,548</u>	<u>69,248</u>
Reimbursements	<u>10,608</u>	<u>10,608</u>	<u>25,400</u>	<u>14,792</u>
Interest income	<u>40,000</u>	<u>42,000</u>	<u>78,573</u>	<u>36,573</u>
Miscellaneous	<u>40,500</u>	<u>40,500</u>	<u>25,699</u>	<u>(14,801)</u>
TOTAL REVENUES	<u>6,401,570</u>	<u>6,403,570</u>	<u>7,085,118</u>	<u>681,548</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, 2017

	<u>BUDGETED AMOUNTS</u>		ACTUAL	VARIANCE -
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
EXPENDITURES				
General Government				
Township Board	\$ 32,000	\$ 32,000	\$ 24,412	\$ 7,588
Township Supervisor	122,074	122,074	111,434	10,640
Elections	79,900	79,900	63,075	16,825
Finance/human resources	126,726	126,726	124,118	2,608
Assessing	357,100	357,100	337,107	19,993
Legal fees	300,000	300,000	222,513	77,487
Township Clerk	332,066	332,066	325,640	6,426
Tax roll and data processing	21,000	30,000	20,407	9,593
Board of review	3,300	4,200	3,680	520
General services	129,500	129,500	81,995	47,505
Township Hall	345,796	345,796	289,118	56,678
Township Treasurer	337,663	337,663	334,466	3,197
Other costs	<u>107,075</u>	<u>126,855</u>	<u>114,656</u>	<u>12,199</u>
Total General Government	<u>2,294,200</u>	<u>2,323,880</u>	<u>2,052,621</u>	<u>271,259</u>
Public Safety				
Ordinance enforcement	42,000	50,000	49,236	764
Planning and zoning	<u>204,861</u>	<u>206,931</u>	<u>175,398</u>	<u>31,533</u>
Total Public Safety	<u>246,861</u>	<u>256,931</u>	<u>224,634</u>	<u>32,297</u>
Public Works				
Street lighting	20,000	20,000	19,610	390
Roads	<u> </u>	<u>30,000</u>	<u>17,017</u>	<u>12,983</u>
Total Public Works	<u>20,000</u>	<u>50,000</u>	<u>36,627</u>	<u>13,373</u>
Culture and Recreation				
Parks and recreation	<u>485,906</u>	<u>485,906</u>	<u>416,903</u>	<u>69,003</u>
TOTAL EXPENDITURES	<u>3,046,967</u>	<u>3,116,717</u>	<u>2,730,785</u>	<u>385,932</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	<u>3,354,603</u>	<u>3,286,853</u>	<u>4,354,333</u>	<u>1,067,480</u>

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, 2017

	<u>BUDGETED AMOUNTS</u>		ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
OTHER FINANCING USES				
Operating transfers in	\$ 100,000	\$ 100,000	\$ 100,000	\$
Operating transfers out	<u>(2,500,000)</u>	<u>(2,511,500)</u>	<u>(2,507,457)</u>	<u>4,043</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,400,000)</u>	<u>(2,411,500)</u>	<u>(2,407,457)</u>	<u>4,043</u>
EXCESS OF REVENUES AND AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES (BUDGETARY BASIS)	954,603	875,353	1,946,876	1,071,523
FUND BALANCE, JANUARY 1	<u>1,151,470</u>	<u>11,551,470</u>	<u>11,551,470</u>	<u></u>
FUND BALANCE, DECEMBER 31	<u><u>\$ 2,106,073</u></u>	<u><u>\$ 12,426,823</u></u>	<u><u>\$ 13,498,346</u></u>	<u><u>\$ 1,071,523</u></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, 2017

	<u>BUDGETED AMOUNTS</u>		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes	\$ 3,169,340	\$ 3,169,340	\$ 3,177,048	\$ 7,708
Interest on investments	25,000	25,000	41,163	16,163
Other	<u>31,000</u>	<u>31,000</u>	<u>48,408</u>	<u>17,408</u>
TOTAL REVENUES	<u>3,225,340</u>	<u>3,225,340</u>	<u>3,266,619</u>	<u>41,279</u>
EXPENDITURES				
Public safety	<u>3,429,776</u>	<u>3,429,776</u>	<u>3,058,894</u>	<u>370,882</u>
EXCESS OF REVENUES OVER EXPENDITURES	(204,436)	(204,436)	207,725	412,161
FUND BALANCE, JANUARY 1	<u>2,967,564</u>	<u>2,967,564</u>	<u>2,967,564</u>	<u> </u>
FUND BALANCE, DECEMBER 31	<u><u>\$ 2,763,128</u></u>	<u><u>\$ 2,763,128</u></u>	<u><u>\$ 3,175,289</u></u>	<u><u>\$ 412,161</u></u>

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
POLICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes	\$ 4,596,645	\$ 4,596,645	\$ 4,606,591	\$ 9,946
Interest on investments	10,000	10,000	23,809	13,809
Other	134,500	134,500	414,151	279,651
TOTAL REVENUES	4,741,145	4,741,145	5,044,551	303,406
EXPENDITURES				
Public safety	4,692,002	4,692,002	4,517,902	174,100
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	49,143	49,143	526,649	477,506
FUND BALANCE, JANUARY 1	562,560	562,560	562,560	
FUND BALANCE, DECEMBER 31	\$ 611,703	\$ 611,703	\$ 1,089,209	\$ 477,506

CHARTER TOWNSHIP OF COMMERCE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LIBRARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes	\$ 1,696,040	\$ 1,696,040	\$ 1,695,946	\$ (94)
Charges for services	20,800	20,800	21,333	533
Interest on investments	30,000	30,000	20,788	(9,212)
Other	89,000	89,000	113,820	24,820
TOTAL REVENUES	1,835,840	1,835,840	1,851,887	16,047
EXPENDITURES				
Culture and recreation	2,547,144	2,547,144	2,241,719	305,425
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(711,304)	(711,304)	(389,832)	321,472
FUND BALANCE, JANUARY 1	1,723,720	1,723,720	1,723,720	
FUND BALANCE, DECEMBER 31	\$ 1,012,416	\$ 1,012,416	\$ 1,333,888	\$ 321,472

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, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
Charges for services	\$ 2,907,000	\$ 2,907,000	\$ 2,745,042	\$ (161,958)
Interest on investments	2,500	2,500	9,761	7,261
Other	47,600	47,600	61,009	13,409
	2,957,100	2,957,100	2,815,812	(141,288)
TOTAL REVENUES				
EXPENDITURES				
Capital outlay	3,420,500	3,420,500	2,806,580	613,920
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(463,400)	(463,400)	9,232	472,632
OTHER FINANCING SOURCES				
Operating transfers in	50,000	50,000	107,457	57,457
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(413,400)	(413,400)	116,689	530,089
FUND BALANCE, JANUARY 1	693,586	693,586	693,586	
FUND BALANCE, DECEMBER 31	\$ 280,186	\$ 280,186	\$ 810,275	\$ 530,089

COMBINING STATEMENTS

CHARTER TOWNSHIP OF COMMERCE

COMBINING BALANCE SHEET

GENERAL FUND

DECEMBER 31, 2017

ASSETS

	GENERAL	ROAD IMPROVEMENT	BUDGET STABILIZATION	RETIREMENT HEALTH BENEFITS	TOTAL GENERAL FUND
ASSETS					
Cash	\$ 12,214,139	\$ 617,371	\$ 1,307,552	\$	\$ 14,139,062
Investments	497,054	200,000			697,054
Receivables					
Accounts	182,323	(67)			182,256
Interest					
Taxes	1,148,330				1,148,330
Due from					
Other funds	189,488				189,488
Prepaid expenses	23,126				23,126
	<u>14,254,460</u>	<u>817,304</u>	<u>1,307,552</u>	<u></u>	<u>16,379,316</u>
TOTAL ASSETS	\$ <u>14,254,460</u>	\$ <u>817,304</u>	\$ <u>1,307,552</u>	\$ <u></u>	\$ <u>16,379,316</u>

LIABILITIES AND FUND BALANCE

LIABILITIES					
Payables					
Accounts	\$ 45,080	\$	\$	\$	\$ 45,080
Payroll and payroll taxes	43,155				43,155
Other funds	80,043			1,086	81,129
	<u>168,278</u>			<u>1,086</u>	<u>169,364</u>
TOTAL LIABILITIES	<u>168,278</u>			<u>1,086</u>	<u>169,364</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes levied for the following year	2,711,606				2,711,606
	<u>2,711,606</u>				<u>2,711,606</u>
FUND BALANCE					
Nonspendable	23,126				23,126
Committed			1,307,552		1,307,552
Assigned		817,304			817,304
Unassigned	11,351,450			(1,086)	11,350,364
	<u>11,374,576</u>	<u>817,304</u>	<u>1,307,552</u>	<u>(1,086)</u>	<u>13,498,346</u>
TOTAL FUND BALANCE	<u>11,374,576</u>	<u>817,304</u>	<u>1,307,552</u>	<u>(1,086)</u>	<u>13,498,346</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ <u>14,254,460</u>	\$ <u>817,304</u>	\$ <u>1,307,552</u>	\$ <u></u>	\$ <u>16,379,316</u>

CHARTER TOWNSHIP OF COMMERCE

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

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2017

	GENERAL	ROAD IMPROVEMENT	BUDGET STABILIZATION	RETIREMENT HEALTH BENEFITS	TOTAL GENERAL FUND
REVENUES					
Taxes	\$ 2,411,326	\$	\$	\$	\$ 2,411,326
Licenses and permits	757,214				757,214
Intergovernmental	3,085,246				3,085,246
Charges for services and special assessments	370,730				370,730
Fines and forfeits	127,382				127,382
Interest and rentals	262,575	3,489	16,057		282,121
Other revenues	51,099				51,099
TOTAL REVENUES	<u>7,065,572</u>	<u>3,489</u>	<u>16,057</u>		<u>7,085,118</u>
EXPENDITURES					
General government	2,050,434			2,187	2,052,621
Public safety	224,634				224,634
Public works	19,610	17,017			36,627
Culture and recreation	416,903				416,903
TOTAL EXPENDITURES	<u>2,711,581</u>	<u>17,017</u>		<u>2,187</u>	<u>2,730,785</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>4,353,991</u>	<u>(13,528)</u>	<u>16,057</u>	<u>(2,187)</u>	<u>4,354,333</u>
OTHER FINANCING USES					
Operating transfers in		100,000			100,000
Operating transfers out	<u>(2,507,457)</u>				<u>(2,507,457)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,507,457)</u>	<u>100,000</u>			<u>(2,407,457)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,846,534	86,472	16,057	(2,187)	1,946,876
FUND BALANCE, JANUARY 1	<u>9,528,042</u>	<u>730,832</u>	<u>1,291,495</u>	<u>1,101</u>	<u>11,551,470</u>
FUND BALANCE, DECEMBER 31	<u>\$ 11,374,576</u>	<u>\$ 817,304</u>	<u>\$ 1,307,552</u>	<u>\$ (1,086)</u>	<u>\$ 13,498,346</u>

CHARTER TOWNSHIP OF COMMERCE

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2017

	SPECIAL REVENUE	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ 3,448,829	\$ 60,534	\$ 3,509,363
Investments	200,000		200,000
Receivables			
Taxes	318,143		318,143
Special assessments		62,124	62,124
Due from			
Other funds	18,810		18,810
Other governmental units	18,359		18,359
Prepaid expenses	<u>1,156</u>		<u>1,156</u>
TOTAL ASSETS	\$ <u>4,005,297</u>	\$ <u>122,658</u>	\$ <u>4,127,955</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Payables			
Accounts	\$ 227,768	\$	\$ 227,768
Payroll and payroll taxes	9,294		9,294
Due to other funds	<u>129,673</u>		<u>129,673</u>
TOTAL LIABILITIES	<u>366,735</u>		<u>366,735</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for the following year	737,263		737,263
Unavailable revenue		<u>62,124</u>	<u>62,124</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>737,263</u>	<u>62,124</u>	<u>799,387</u>
FUND BALANCE			
Nonspendable	1,156		1,156
Restricted	<u>2,900,143</u>	<u>60,534</u>	<u>2,960,677</u>
TOTAL FUND BALANCE	<u>2,901,299</u>	<u>60,534</u>	<u>2,961,833</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ <u>4,005,297</u>	\$ <u>122,658</u>	\$ <u>4,127,955</u>

CHARTER TOWNSHIP OF COMMERCE

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2017

	SPECIAL REVENUE	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Taxes	\$ 664,688	\$	\$ 664,688
Intergovernmental	24,977		24,977
Interest income	18,919	4,931	23,850
Charges for services	1,398,666		1,398,666
Special assessments		68,337	68,337
Other revenues	<u>5,261</u>		<u>5,261</u>
TOTAL REVENUES	<u>2,112,511</u>	<u>73,268</u>	<u>2,185,779</u>
EXPENDITURES			
Public safety	947,677		947,677
Culture and recreation	1,634,476		1,634,476
Debt service			
Principal retirement		595,000	595,000
Interest and fiscal charges		<u>15,298</u>	<u>15,298</u>
TOTAL EXPENDITURES	<u>2,582,153</u>	<u>610,298</u>	<u>3,192,451</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(469,642)</u>	<u>(537,030)</u>	<u>(1,006,672)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers out		<u>(763)</u>	<u>(763)</u>
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(469,642)</u>	<u>(537,793)</u>	<u>(1,007,435)</u>
FUND BALANCE, JANUARY 1	<u>3,370,941</u>	<u>598,327</u>	<u>3,969,268</u>
FUND BALANCE, DECEMBER 31	<u>\$ 2,901,299</u>	<u>\$ 60,534</u>	<u>\$ 2,961,833</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)

	2008	2009	2010	2011
REVENUES				
Current property taxes	\$ 4,870,145	\$ 4,958,495	\$ 4,582,624	\$ 2,351,821
Delinquent taxes, penalties and interest	14,880	48,721	46,232	3,586
State revenue sharing	2,129,800	1,880,486	1,946,143	2,645,702
Permits, licenses and fees	1,001,492	935,659	880,740	703,590
Interest on investments	259,225	94,048	54,524	35,439
Federal, state and local grants Other				
Miscellaneous fees	549,149	371,536	253,337	314,627
Other	<u>132,358</u>	<u>72,473</u>	<u>64,115</u>	<u>63,051</u>
 REVENUES BEFORE OTHER FINANCING SOURCES	 <u>8,957,049</u>	 <u>8,361,418</u>	 <u>7,827,715</u>	 <u>6,117,816</u>
 OTHER FINANCING SOURCES				
Operating transfers in	<u>180,729</u>	<u>28,001</u>	<u> </u>	<u>300,264</u>
 TOTAL REVENUES AND OTHER FINANCING SOURCES	 <u>\$ 9,137,778</u>	 <u>\$ 8,389,419</u>	 <u>\$ 7,827,715</u>	 <u>\$ 6,418,080</u>

	2012	2013	2014	2015	2016	2017
\$	2,222,060	\$ 2,231,128	\$ 2,233,846	\$ 2,641,702	\$ 2,448,282	\$ 2,411,326
	(134)	898	4,156		57,320	
	2,598,220	2,669,514	2,754,611	2,804,355	2,832,858	3,066,887
	1,138,035	737,525	1,096,608	641,440	717,519	757,214
	58,984	77,769	139,764	78,970	47,072	71,955
	350,514	696,533	275,037	571,059	330,754	24,977
	43,155	56,751	88,658	179,963	575,873	498,112
	<u>6,410,834</u>	<u>6,470,118</u>	<u>6,592,680</u>	<u>6,917,489</u>	<u>7,121,048</u>	<u>7,085,118</u>
	<u>145,267</u>	<u>1,001,404</u>		<u>200,178</u>	<u>273,826</u>	<u>100,000</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>	\$ <u><u>7,394,874</u></u>	\$ <u><u>7,185,118</u></u>

CHARTER TOWNSHIP OF COMMERCE
SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BY ACTIVITY
LAST TEN FISCAL PERIODS
(UNAUDITED)

	2008	2009	2010	2011
EXPENDITURES				
Township Board	\$ 23,790	\$ 20,483	\$ 17,488	\$ 16,900
Township Supervisor	155,423	109,892	129,549	133,414
Assessing	541,639	535,417	337,224	324,184
Legal	287,497	270,733	255,095	207,135
Township Clerk	362,153	308,802	316,780	327,943
Finance/human resources	199,261	187,036	149,222	157,471
Board of review	9,023	8,477	8,550	13,339
Tax roll and data processing	26,376	27,304	13,897	10,171
Township Treasurer	372,783	352,344	293,046	321,201
Township Hall	79,638	258,798	233,690	180,070
General services	241,708	238,198	358,352	145,109
Police protection	3,796,695	3,624,118	3,400,653	(287,774)
Ordinance enforcement	73,449	67,742	1,214	805
Elections	108,794	7,787	66,821	9,601
Street lighting	22,508	16,825	17,359	16,869
Roads				
Planning and zoning	165,032	156,887	137,646	134,367
Parks and recreation	324,317	320,145	315,266	315,242
Other costs	173,690	145,782	197,594	157,483
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES BEFORE OTHER FINANCING USES	6,963,776	6,656,770	6,249,446	2,183,530
OTHER FINANCING USES				
Improvement revolving fund				
Building and improvement fund		61,137	40,439	
Building inspection	270,658	61,000		
Fire fund	1,200,000	1,219,915	1,562,932	
Road improvement fund				
Debt sinking fund				2,000,000
Budget stabilization		674,385	538,069	
Retiree health benefit				
Cemetery				
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ <u>8,434,434</u>	\$ <u>8,673,207</u>	\$ <u>8,390,886</u>	\$ <u>4,183,530</u>

	2012	2013	2014	2015	2016	2017
\$	26,627	\$ 23,145	\$ 25,492	\$ 27,699	\$ 25,517	\$ 24,412
	107,475	106,816	121,338	120,085	122,716	111,434
	324,191	323,607	325,302	336,838	326,550	337,107
	211,496	175,165	224,159	287,779	293,848	222,513
	350,120	329,560	376,413	308,862	314,747	325,640
	111,207	111,084	120,944	119,859	123,093	124,118
	12,331	3,144	3,485	3,270	3,983	3,680
	19,671	28,491	12,929	19,528	21,680	20,407
	288,386	274,602	313,853	320,261	311,157	334,466
	253,950	231,569	282,370	279,294	273,192	289,118
	212,173	149,463	94,255	93,609	130,063	81,995
	(1,585)					
	2,195	19,000	28,411	34,563	47,991	49,236
	145,105	23,299	57,921	3,977	111,239	63,075
	20,435	17,311	18,196	17,925	20,954	19,610
					41,319	17,017
	144,959	142,059	143,916	169,546	181,610	175,398
	313,518	382,785	401,281	341,586	381,901	416,903
	91,236	132,100	106,599	112,054	485,140	114,656
	<u>2,633,490</u>	<u>2,473,200</u>	<u>2,656,864</u>	<u>2,596,735</u>	<u>3,216,700</u>	<u>2,730,785</u>
		633,357	668,933	5,000	550,000	107,457
		250,000		200,000	100,000	100,000
	2,000,000	2,500,000	3,045,000	3,200,000	3,000,000	2,300,000
					173,826	
				<u>1,125</u>	<u>2,000</u>	
\$	<u><u>4,633,490</u></u>	<u><u>5,856,557</u></u>	<u><u>6,370,797</u></u>	<u><u>6,002,860</u></u>	<u><u>7,042,526</u></u>	<u><u>5,238,242</u></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, 2017

	OPEN SPACE	BUILDING INSPECTION	COMMUNITY DEVELOPMENT
ASSETS			
Cash and cash equivalents	\$ 1,182,947	\$ 1,979,082	\$
Investments			
Receivables			
Taxes	318,143		
Due from other funds	6,699		12,111
Due from other governmental units			18,359
Prepaid expenses		<u>1,156</u>	
TOTAL ASSETS	<u>\$ 1,507,789</u>	<u>\$ 1,980,238</u>	<u>\$ 30,470</u>
 LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 168,179	\$ 37,370	\$ 22,219
Accrued payroll and other liabilities		9,294	
Due to other funds		<u>121,422</u>	<u>8,251</u>
TOTAL LIABILITIES	<u>168,179</u>	<u>168,086</u>	<u>30,470</u>
 DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for the following year	<u>737,263</u>		
 FUND BALANCE			
Nonspendable		1,156	
Restricted	<u>602,347</u>	<u>1,810,996</u>	
TOTAL FUND BALANCE	<u>602,347</u>	<u>1,812,152</u>	
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 1,507,789</u>	 <u>\$ 1,980,238</u>	 <u>\$ 30,470</u>

MUSEUM	CEMETERY	TOTALS
\$ 123,199	\$ 163,601	\$ 3,448,829
50,000	150,000	200,000
		318,143
		18,810
		18,359
		1,156
<u>173,199</u>	<u>313,601</u>	<u>4,005,297</u>
\$	\$	\$ 227,768
		9,294
		<u>129,673</u>
		366,735
		737,263
<u>173,199</u>	<u>313,601</u>	1,156
		<u>2,900,143</u>
<u>173,199</u>	<u>313,601</u>	<u>2,901,299</u>
<u>\$ 173,199</u>	<u>\$ 313,601</u>	<u>\$ 4,005,297</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, 2017

	OPEN SPACE	BUILDING INSPECTION	COMMUNITY DEVELOPMENT
REVENUES			
Property taxes	\$ 664,688	\$	\$
Intergovernmental revenues			
Federal and state grants			24,977
Interest income	16,719		
Charges for services		1,376,476	
Miscellaneous revenue	<u>4,775</u>	<u></u>	<u></u>
TOTAL REVENUES	<u>686,182</u>	<u>1,376,476</u>	<u>24,977</u>
EXPENDITURES			
Community services	1,579,359		24,977
Public health and safety	<u></u>	<u>947,677</u>	<u></u>
TOTAL EXPENDITURES	<u>1,579,359</u>	<u>947,677</u>	<u>24,977</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(893,177)	428,799	
FUND BALANCE, JANUARY 1	<u>1,495,524</u>	<u>1,383,353</u>	<u></u>
FUND BALANCE, DECEMBER 31	\$ <u><u>602,347</u></u>	\$ <u><u>1,812,152</u></u>	\$ <u><u></u></u>

MUSEUM	CEMETERY	TOTALS
\$	\$	\$ 664,688
		24,977
860	1,340	18,919
	22,190	1,398,666
186	300	5,261
<u>1,046</u>	<u>23,830</u>	<u>2,112,511</u>
	30,140	1,634,476
		947,677
	<u>30,140</u>	<u>2,582,153</u>
1,046	(6,310)	(469,642)
<u>172,153</u>	<u>319,911</u>	<u>3,370,941</u>
\$ <u><u>173,199</u></u>	\$ <u><u>313,601</u></u>	\$ <u><u>2,901,299</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, 2017

	OPEN SPACE		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES			
Property taxes	\$ 675,354	\$ 664,688	\$ (10,666)
Intergovernmental revenues			
Federal and state grants			
Interest income	5,000	16,719	11,719
Charges for services			
Miscellaneous revenue	<u>5,000</u>	<u>4,775</u>	<u>(225)</u>
TOTAL REVENUES	<u>685,354</u>	<u>686,182</u>	<u>828</u>
EXPENDITURES			
General government			
General services			
Community services	1,908,700	1,579,359	329,341
Public health and safety			
TOTAL EXPENDITURES	<u>1,908,700</u>	<u>1,579,359</u>	<u>329,341</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,223,346)	(893,177)	330,169
FUND BALANCE, JANUARY 1	<u>1,495,524</u>	<u>1,495,524</u>	
FUND BALANCE, DECEMBER 31	<u><u>\$ 272,178</u></u>	<u><u>\$ 602,347</u></u>	<u><u>\$ 330,169</u></u>

<u>BUILDING INSPECTION</u>			<u>COMMUNITY DEVELOPMENT</u>		
BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
\$	\$	\$	\$	\$	\$
			50,000	24,977	(25,023)
1,085,500	1,376,476	290,976			
<u>1,085,500</u>	<u>1,376,476</u>	<u>290,976</u>	<u>50,000</u>	<u>24,977</u>	<u>(25,023)</u>
1,079,441	947,677	131,764	30,000	24,977	5,023
<u>1,079,441</u>	<u>947,677</u>	<u>131,764</u>	<u>30,000</u>	<u>24,977</u>	<u>5,023</u>
6,059	428,799	422,740	20,000		(20,000)
<u>1,383,353</u>	<u>1,383,353</u>				
\$ <u><u>1,389,412</u></u>	\$ <u><u>1,812,152</u></u>	\$ <u><u>422,740</u></u>	\$ <u><u>20,000</u></u>	\$ <u><u></u></u>	\$ <u><u>(20,000)</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, 2017

	MUSEUM		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES			
Property taxes	\$	\$	\$
Intergovernmental revenues			
Federal and state grants			
Interest income	850	860	10
Charges for services			
Miscellaneous revenue	<u>200</u>	<u>186</u>	<u>(14)</u>
TOTAL REVENUES	<u>1,050</u>	<u>1,046</u>	<u>(4)</u>
EXPENDITURES			
General government			
General services			
Community services			
Public health and safety	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u> </u>	<u> </u>	<u> </u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,050	1,046	(4)
FUND BALANCE, JANUARY 1	<u>172,153</u>	<u>172,153</u>	<u> </u>
FUND BALANCE, DECEMBER 31	<u>\$ 173,203</u>	<u>\$ 173,199</u>	<u>\$ (4)</u>

CEMETERY		
BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
\$	\$	\$
1,000	1,340	340
22,500	22,190	(310)
<u>300</u>	<u>300</u>	<u></u>
<u>23,800</u>	<u>23,830</u>	<u>30</u>
34,200	30,140	4,060
<u>34,200</u>	<u>30,140</u>	<u>4,060</u>
(10,400)	(6,310)	4,090
<u>319,911</u>	<u>319,911</u>	<u></u>
<u>\$ 309,511</u>	<u>\$ 313,601</u>	<u>\$ 4,090</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, 2017

	2010 LAKE SHERWOOD PAVING/ SHERWOOD ACRES PAVING SPECIAL ASSESSMENT G.O. BONDS	1992 LAKE PINE CAPITAL CHARGES SPECIAL ASSESSMENT G.O. BONDS	TOTAL
ASSETS			
Cash and cash equivalents	\$ 60,534	\$	\$ 60,534
Special assessments receivable	<u>62,124</u>	<u></u>	<u>62,124</u>
TOTAL ASSETS	<u><u>\$ 122,658</u></u>	<u><u>\$</u></u>	<u><u>\$ 122,658</u></u>
 DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
DEFERRED INFLOWS OF RESOURCES			
Special assessments	\$ <u>62,124</u>	\$ <u></u>	\$ <u>62,124</u>
FUND BALANCE			
Restricted	\$ <u>60,534</u>	\$ <u></u>	\$ <u>60,534</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND AND FUND BALANCE	<u><u>\$ 122,658</u></u>	<u><u>\$</u></u>	<u><u>\$ 122,658</u></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, 2017

	2010 LAKE SHERWOOD PAVING/ SHERWOOD ACRES PAVING SPECIAL ASSESSMENT G.O. BONDS	1992 LAKE PINE CAPITAL CHARGES SPECIAL ASSESSMENT G.O. BONDS	TOTAL
REVENUES			
Interest income	\$ 4,931	\$	\$ 4,931
Special assessments	<u>68,337</u>	<u> </u>	<u>68,337</u>
TOTAL REVENUES	<u>73,268</u>	<u> </u>	<u>73,268</u>
EXPENDITURES			
Debt principal	595,000		595,000
Debt interest and fees	<u>15,298</u>	<u> </u>	<u>15,298</u>
TOTAL EXPENDITURES	<u>610,298</u>	<u> </u>	<u>610,298</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(537,030)</u>	<u> </u>	<u>(537,030)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers out	<u> </u>	<u>(763)</u>	<u>(763)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(537,030)	(763)	(537,793)
FUND BALANCE, JANUARY 1	<u>597,564</u>	<u>763</u>	<u>598,327</u>
FUND BALANCE, DECEMBER 31	<u><u>\$ 60,534</u></u>	<u><u>\$</u></u>	<u><u>\$ 60,534</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

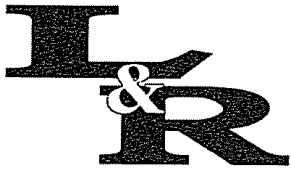
CHARTER TOWNSHIP OF COMMERCE
 COMPONENT UNIT
 DOWNTOWN DEVELOPMENT AUTHORITY
 BALANCE SHEET
 DECEMBER 31, 2017

	CAPITAL PROJECTS
ASSETS	
Cash and cash equivalents	\$ 484,929
Prepaid expenses	3,469
Land held for sale	<u>17,292,428</u>
TOTAL ASSETS	\$ <u><u>17,780,826</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ <u>12,909</u>
FUND BALANCE	
Unassigned	<u>17,767,917</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u><u>17,780,826</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, 2017

REVENUES	
Current property taxes	\$ 1,507,182
Other income	64,758
Proceeds from sale of land	750,000
Interest income	4,619
TOTAL REVENUES	<u>2,326,559</u>
EXPENDITURES	
Professional fees	241,514
Wages	61,350
Construction	314,572
Debt service	
Principal	1,120,000
Interest and fees	1,859,846
TOTAL EXPENDITURES	<u>3,597,282</u>
EXCESS OF REVENUES OVER EXPENDITURES	(1,270,723)
OTHER FINANCING SOURCES (USES)	
Advance from Township	<u>1,000,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(270,723)
FUND BALANCE, JANUARY 1	<u>18,038,640</u>
FUND BALANCE, DECEMBER 31	<u><u>\$ 17,767,917</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

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, 2017, 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 21, 2018.

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*.

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

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

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 21, 2018



Layton & Richardson, P.C.

Certified Public Accountants

LETTER OF COMMENTS AND RECOMMENDATIONS

Township Board
Charter Township of Commerce
Commerce, Michigan

In planning and performing our audit of the financial statements of Charter Township of Commerce, as of and for the year ended December 31, 2017, 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 21, 2018. This letter does not affect our report dated June 21, 2018, 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.

Certified Public Accountants

East Lansing, Michigan
June 21, 2018

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East Lansing, MI 48823

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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, but escrow deposits are being reviewed for old outstanding items.**

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. **Current year status: This recommendation has not been implemented. Management response: The Township feels there is sufficient separation of duties in other areas to ensure the possibility of misappropriation of funds is minimized.**

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. **Current year status: This recommendation has been implemented.**

CURRENT YEAR RECOMMENDATIONS

None