
Charter Township of Commerce

Oakland County, Michigan

Financial Report
with Supplementary Information
December 31, 2025

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Commerce

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Commerce (the "Township") as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise the Charter Township of Commerce's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Commerce as of December 31, 2025 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

To the Board of Trustees
Charter Township of Commerce

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Commerce's basic financial statements. The supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.



June 3, 2026

As management of the Charter Township of Commerce (the "Township"), we offer readers this narrative overview and analysis of the financial activities for the year ended December 31, 2025.

Financial Highlights

The Township has an obligation to support the debt service requirements of the Downtown Development Authority (a discretely presented component unit) (the "DDA"). As discussed in further detail below, the DDA has incurred debt that the Township has guaranteed; the Township has recorded a liability of approximately \$3.5 million as the present value of the estimated future outflows it currently expects to make to support this debt.

In planning for this financial obligation, the Township requested additional funding from its residents for sheriff and fire protection services in order to free up sufficient resources in the General Fund to support the DDA debt. The voters approved a special assessment of 2.7 mills for sheriff and up to 2.0 mills for fire services. This revenue began with the 2011 budget and was renewed by voters in November 2018. The renewed special assessment for fire protection services is in effect through 2028 with a maximum of 2.8 mills. The renewed special assessment for sheriff protection services is in effect through 2030 with a maximum of 2.9 mills. The millage charged on the 2024 tax bills to fund 2025 services was 2.8 mills for fire and 2.622 mills for sheriff.

The Township continues to monitor the estimated sell-off of the land holdings, as well as the DDA expenditures, and feels that it has an adequate plan in place to manage the long-term commitment through 2034 when the last of the DDA debt matures. Subsequent to that, the Township anticipates the DDA will continue to capture taxes sufficient to repay the Township for its advances related to the debt service.

Using This Annual Report

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

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

Government-wide Overall Financial Analysis

Net position over time may serve as a useful indicator of a government's financial position. In the case of the Township, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$251,665,108 at the close of the most recent fiscal year. This total net position includes \$138,854,259 related to governmental activities and \$112,810,849 related to business-type activities.

Charter Township of Commerce

Management's Discussion and Analysis (Continued)

The Township's Net Position

	Governmental Activities		
	2024	2025	Change
Assets			
Current and other assets:			
Cash and investments	\$ 73,597,994	\$ 82,157,449	\$ 8,559,455
Receivables	15,933,620	15,039,365	(894,255)
Other assets	31,625,595	36,168,930	4,543,335
Capital assets	43,348,680	43,649,042	300,362
Total assets	164,505,889	177,014,786	12,508,897
Liabilities			
Current liabilities	4,691,038	3,332,137	(1,358,901)
Noncurrent liabilities	4,308,518	4,687,899	379,381
Total liabilities	8,999,556	8,020,036	(979,520)
Deferred Inflows of Resources	27,805,747	30,140,491	2,334,744
Net Position			
Net investment in capital assets	42,905,680	43,354,042	448,362
Restricted	15,176,098	18,353,215	3,177,117
Unrestricted	69,618,808	77,147,002	7,528,194
Total net position	\$ 127,700,586	\$ 138,854,259	\$ 11,153,673

	Business-type Activities		
	2024	2025	Change
Assets			
Current and other assets:			
Cash and investments	\$ 38,147,515	\$ 40,320,390	\$ 2,172,875
Receivables	8,355,069	8,540,602	185,533
Other assets	177,076	166,005	(11,071)
Capital assets	99,188,144	95,829,677	(3,358,467)
Total assets	145,867,804	144,856,674	(1,011,130)
Deferred Outflows of Resources	633,118	584,859	(48,259)
Liabilities			
Current liabilities	1,423,829	1,734,314	310,485
Noncurrent liabilities	34,425,204	30,896,370	(3,528,834)
Total liabilities	35,849,033	32,630,684	(3,218,349)
Net Position			
Net investment in capital assets	65,396,058	65,518,166	122,108
Unrestricted	45,255,831	47,292,683	2,036,852
Total net position	\$ 110,651,889	\$ 112,810,849	\$ 2,158,960

Charter Township of Commerce

Management's Discussion and Analysis (Continued)

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

The Township's Changes in Net Position

	Governmental Activities		
	2024	2025	Change
Revenue			
Program revenue:			
Charges for services	\$ 6,387,293	\$ 8,273,986	\$ 1,886,693
Operating grants	414,093	370,662	(43,431)
Capital grants	1,124,565	453,144	(671,421)
General revenue:			
Taxes	20,960,305	22,571,771	1,611,466
Intergovernmental	4,305,114	4,424,458	119,344
Investment earnings	3,647,451	4,269,902	622,451
Other revenue:			
Cable franchise fees	540,326	488,156	(52,170)
Sale of capital assets	-	10,996	10,996
Change in financial estimates	3,446,033	-	(3,446,033)
Other miscellaneous revenue	486,006	44,406	(441,600)
Total revenue	41,311,186	40,907,481	(403,705)
Expenses			
General government	2,803,250	2,858,965	55,715
Public safety	15,737,998	17,200,787	1,462,789
Public works	3,872,650	4,779,647	906,997
Community and economic development	300,490	859,039	558,549
Recreation and culture	3,664,372	4,143,373	479,001
Interest	21,697	6,484	(15,213)
Total expenses	26,400,457	29,848,295	3,447,838
Transfers	-	94,487	94,487
Change in Net Position	14,910,729	11,153,673	(3,757,056)
Net Position - Beginning of year	112,789,857	127,700,586	14,910,729
Net Position - End of year	\$ 127,700,586	\$ 138,854,259	\$ 11,153,673

Charter Township of Commerce

Management's Discussion and Analysis (Continued)

	Business-type Activities		
	2024	2025	Change
Revenue			
Program revenue:			
Charges for services	\$ 19,452,450	\$ 19,677,133	\$ 224,683
Capital grants	2,900,755	955,328	(1,945,427)
General revenue	1,276,966	1,604,683	327,717
Total revenue	23,630,171	22,237,144	(1,393,027)
Expenses			
Sewer Fund	11,904,604	11,528,976	(375,628)
Water Fund	7,105,383	8,454,721	1,349,338
Total expenses	19,009,987	19,983,697	973,710
Transfers	-	(94,487)	(94,487)
Change in Net Position	4,620,184	2,158,960	(2,461,224)
Net Position - Beginning of year, as adjusted	106,031,705	110,651,889	4,620,184
Net Position - End of year	<u>\$ 110,651,889</u>	<u>\$ 112,810,849</u>	<u>\$ 2,158,960</u>

In 2025, total primary government revenue exceeded expenses by approximately \$13.3 million. Governmental activities net position increased by \$11.2 million, and business-type activities net position increased by \$2.2 million. For governmental activities, assets increased by \$12.5 million, including significant increases to cash and investments and an advance to the DDA. During 2025, the Township advanced an additional \$3.3 million to the DDA. It is anticipated that, after the last of the DDA's debt matures in 2034, the DDA will continue to capture taxes sufficient to repay the Township for its advances related to the debt service, including interest.

Financial Analysis of Individual Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for discretionary use, as it represents the portion of the fund balance that has not yet been limited to use for a particular purpose by an external party. Uncommitted or unassigned fund balance provides further information about the resources that have not been constrained by either the board of trustees or a group or individual that has been delegated authority to assign resources for use for particular purposes by the board of trustees.

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

General Fund Budgetary Highlights

During 2025, the General Fund budget did not require significant amendments. During the year, actual revenue was approximately \$1,582,000 higher than budgetary estimates largely due to higher interest income and charges for service than budgeted. Expenditures were less than budget by approximately \$394,000 primarily due to maintenance costs in the General Fund being less than budgeted. The fund balance, on a budgetary basis, increased by \$4,463,420.

Capital Assets and Debt Administration

At the end of 2025, the Township had \$139.5 million invested in a broad range of capital assets, net of depreciation, including buildings, office equipment, fire apparatus and equipment, a wastewater treatment plant, and water and sewer lines. During 2025, the governmental activities added approximately \$2.4 million of capital assets and the business-type activities added approximately \$1,400,000.

Economic Factors and Next Year's Budgets and Rates

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

Looking to the future, and keen to the challenges of balancing potential development with the desire for a country-like atmosphere, the Township has been researching traffic flows and the impact any new or expanding development might have in already congested areas. This includes the development of a downtown area along the M-5 corridor, which is moving forward. The beginning of construction on this project started in late 2024 with water and sewer infrastructure at the site, as well as the beginning of an apartment complex and two new car dealerships. As of the end of 2025, the dealerships and apartments are nearly complete and there is new construction on a credit union and a small shoppette. Additional construction projects are in the planning phase.

Requests for Further Information

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

Charter Township of Commerce

Statement of Net Position

December 31, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 82,157,449	\$ 40,320,390	\$ 122,477,839	\$ 1,079,007
Receivables (Note 4)	15,039,365	8,540,602	23,579,967	894,985
Prepaid expenses	234,029	166,005	400,034	7,696
Land held for resale	-	-	-	6,582,955
Capital assets: (Note 5)				
Assets not subject to depreciation	14,751,987	590,369	15,342,356	2,059,867
Assets subject to depreciation - Net	28,897,055	95,239,308	124,136,363	-
Long-term advance to component unit (including interest) (Notes 6 and 8)	35,934,901	-	35,934,901	-
Total assets	177,014,786	144,856,674	321,871,460	10,624,510
Deferred Outflows of Resources - Deferred charge on bond refunding				
	-	584,859	584,859	-
Liabilities				
Accounts payable	1,317,466	1,627,754	2,945,220	772
Due to primary government (Notes 6 and 8)	-	-	-	35,934,901
Refundable deposits, bonds, etc.	1,070,820	-	1,070,820	-
Accrued liabilities and other	208,503	106,560	315,063	291,007
Unearned revenue	735,348	-	735,348	-
Noncurrent liabilities: (Note 7)				
Due within one year	92,619	1,725,000	1,817,619	4,730,000
Due in more than one year	4,595,280	29,171,370	33,766,650	25,510,763
Total liabilities	8,020,036	32,630,684	40,650,720	66,467,443
Deferred Inflows of Resources				
Taxes and assessments levied for the following year	28,244,199	-	28,244,199	1,322,054
Deferred inflows from leases	1,896,292	-	1,896,292	-
Total deferred inflows of resources	30,140,491	-	30,140,491	1,322,054
Net Position (Deficit)				
Net investment in capital assets	43,354,042	65,518,166	108,872,208	-
Restricted:				
Sheriff	3,798,634	-	3,798,634	-
Fire	5,514,293	-	5,514,293	-
Building inspections (Note 2)	1,291,507	-	1,291,507	-
Library	5,020,554	-	5,020,554	-
Other restrictions (Note 10)	2,728,227	-	2,728,227	-
Unrestricted	77,147,002	47,292,683	124,439,685	(57,164,987)
Total net position (deficit)	<u>\$ 138,854,259</u>	<u>\$ 112,810,849</u>	<u>\$ 251,665,108</u>	<u>\$ (57,164,987)</u>

Charter Township of Commerce

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,858,965	\$ 2,648,843	\$ 51,174	\$ 5,913
Public safety	17,200,787	1,987,829	39,378	33,736
Public works	4,779,647	3,614,414	44,018	38,396
Community and economic development	859,039	-	9,929	-
Recreation and culture	4,143,373	22,900	226,163	375,099
Interest on long-term debt	6,484	-	-	-
Total governmental activities	29,848,295	8,273,986	370,662	453,144
Business-type activities:				
Sewer Fund	11,528,976	11,336,970	-	821,150
Water Fund	8,454,721	8,340,163	-	134,178
Total business-type activities	19,983,697	19,677,133	-	955,328
Total primary government	\$ 49,831,992	\$ 27,951,119	\$ 370,662	\$ 1,408,472
Component units - DDA	\$ 2,624,838	\$ -	\$ 7,922	\$ -

General revenue:

- Property taxes and voter-approved assessments
- Unrestricted state-shared revenue
- Unrestricted investment income
- Cable franchise fees
- Gain on sale of capital assets
- Other miscellaneous income

Total general revenue

Transfers

Change in Net Position

Net Position (Deficit) - Beginning of year

Net Position (Deficit) - End of year

Statement of Activities

Year Ended December 31, 2025

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (153,035)	\$ -	\$ (153,035)	\$ -
(15,139,844)	-	(15,139,844)	-
(1,082,819)	-	(1,082,819)	-
(849,110)	-	(849,110)	-
(3,519,211)	-	(3,519,211)	-
(6,484)	-	(6,484)	-
(20,750,503)	-	(20,750,503)	-
-	629,144	629,144	-
-	19,620	19,620	-
-	648,764	648,764	-
(20,750,503)	648,764	(20,101,739)	-
-	-	-	(2,616,916)
22,571,771	-	22,571,771	2,722,686
4,424,458	-	4,424,458	137,191
4,269,902	1,604,683	5,874,585	32,442
488,156	-	488,156	-
10,996	-	10,996	-
44,406	-	44,406	7,415
31,809,689	1,604,683	33,414,372	2,899,734
94,487	(94,487)	-	-
11,153,673	2,158,960	13,312,633	282,818
127,700,586	110,651,889	238,352,475	(57,447,805)
\$ 138,854,259	\$ 112,810,849	\$ 251,665,108	\$ (57,164,987)

Charter Township of Commerce

Governmental Funds Balance Sheet

December 31, 2025

	General Fund	Fire Fund	Sheriff Fund	Improvement and Building Fund	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and investments (Note 3)	\$ 42,416,924	\$ 10,049,687	\$ 9,506,360	\$ 5,479,313	\$ 14,705,165	\$ 82,157,449
Receivables (Note 4)	4,651,060	3,813,518	3,500,901	1,385,768	1,688,118	15,039,365
Prepaid expenses	106,132	110,774	-	-	17,123	234,029
Long-term advance to component unit (including interest) (Note 6)	35,934,901	-	-	-	-	35,934,901
Total assets	\$ 83,109,017	\$ 13,973,979	\$ 13,007,261	\$ 6,865,081	\$ 16,410,406	\$ 133,365,744
Liabilities						
Accounts payable	\$ 197,538	\$ 136,088	\$ 596,092	\$ 298,150	\$ 89,598	\$ 1,317,466
Refundable deposits, bonds, etc.	1,070,820	-	-	-	-	1,070,820
Accrued liabilities and other	66,380	111,490	-	-	30,633	208,503
Unearned revenue	359,301	-	-	376,047	-	735,348
Total liabilities	1,694,039	247,578	596,092	674,197	120,231	3,332,137
Deferred Inflows of Resources						
Unavailable revenue	35,934,901	304,381	-	-	-	36,239,282
Taxes and assessments levied for the following year	4,068,290	8,212,108	8,612,535	3,636,530	3,714,736	28,244,199
Deferred inflows from leases	1,896,292	-	-	-	-	1,896,292
Total deferred inflows of resources	41,899,483	8,516,489	8,612,535	3,636,530	3,714,736	66,379,773
Total liabilities and deferred inflows of resources	43,593,522	8,764,067	9,208,627	4,310,727	3,834,967	69,711,910
Fund Balances (Note 9)						
Nonspendable	106,132	110,774	-	-	17,123	234,029
Restricted	1,245,443	5,099,138	3,798,634	-	7,731,658	17,874,873
Committed	1,559,955	-	-	2,554,354	-	4,114,309
Assigned	1,419,103	-	-	-	4,826,658	6,245,761
Unassigned	35,184,862	-	-	-	-	35,184,862
Total fund balances	39,515,495	5,209,912	3,798,634	2,554,354	12,575,439	63,653,834
Total liabilities, deferred inflows of resources, and fund balances	\$ 83,109,017	\$ 13,973,979	\$ 13,007,261	\$ 6,865,081	\$ 16,410,406	\$ 133,365,744

Charter Township of Commerce

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

December 31, 2025

Fund Balances Reported in Governmental Funds	\$ 63,653,834
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	43,649,042
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	36,239,282
Long-term debt is not due and payable in the current period and is not reported in the funds	(295,000)
Nonexchange financial guarantee is not due and payable in the current period and is not reported in the funds	(4,018,110)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(374,789)
Net Position of Governmental Activities	<u><u>\$ 138,854,259</u></u>

Charter Township of Commerce

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2025

	General Fund	Fire Fund	Sheriff Fund	Improvement and Building Fund	Nonmajor Funds	Total Governmental Funds
Revenue						
Property taxes and voter-approved assessments	\$ 3,857,866	\$ 7,787,170	\$ 7,462,154	\$ -	\$ 3,464,581	\$ 22,571,771
Special assessments	-	-	-	-	38,396	38,396
Intergovernmental	4,484,750	33,736	34,439	-	486,341	5,039,266
Charges for services	654,149	1,328,483	354,865	3,579,816	26,077	5,943,390
Fines and forfeitures	136,030	100	-	-	11,663	147,793
Licenses and permits	2,334,727	-	-	-	110,953	2,445,680
Interest and rentals	1,812,937	343,832	312,837	181,234	585,413	3,236,253
Other revenue	176,003	1,400	11,355	-	15,667	204,425
Total revenue	13,456,462	9,494,721	8,175,650	3,761,050	4,739,091	39,626,974
Expenditures						
Current services:						
General government	3,037,581	-	-	-	-	3,037,581
Public safety	1,921,934	7,468,697	7,113,785	-	-	16,504,416
Public works	757,590	-	-	3,894,222	95,363	4,747,175
Community and economic development	336,964	-	-	-	3,300,000	3,636,964
Recreation and culture	784,061	-	-	-	2,444,646	3,228,707
Capital outlay	-	663,058	-	19,351	1,349,984	2,032,393
Debt service:						
Principal	-	-	-	-	148,000	148,000
Interest	-	-	-	-	6,484	6,484
Total expenditures	6,838,130	8,131,755	7,113,785	3,913,573	7,344,477	33,341,720
Other Financing Sources (Uses)						
Transfers in (Note 6)	-	-	-	344,487	2,035,000	2,379,487
Transfers out (Note 6)	(2,285,000)	-	-	-	-	(2,285,000)
Sale of capital assets	10,996	-	-	-	-	10,996
Total other financing (uses) sources	(2,274,004)	-	-	344,487	2,035,000	105,483
Net Change in Fund Balances	4,344,328	1,362,966	1,061,865	191,964	(570,386)	6,390,737
Fund Balances - Beginning of year	35,171,167	3,846,946	2,736,769	2,362,390	13,145,825	57,263,097
Fund Balances - End of year	\$ 39,515,495	\$ 5,209,912	\$ 3,798,634	\$ 2,554,354	\$ 12,575,439	\$ 63,653,834

Charter Township of Commerce

Governmental Funds

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended December 31, 2025

Net Change in Fund Balances Reported in Governmental Funds	\$ 6,390,737
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	2,351,699
Depreciation expense	(2,051,337)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	4,841,955
Change in nonexchange financial guarantee does not require current financial resources and is not reported in the governmental funds	(522,075)
Payments on long-term debt are expenditures in the governmental funds but not in the statement of activities (where they reduce long-term debt)	148,000
The cost of compensated absences does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds	<u>(5,306)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 11,153,673</u></u>

Charter Township of Commerce

Proprietary Funds Statement of Net Position

December 31, 2025

	Sewer Fund	Water Fund	Total Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 16,188,992	\$ 24,131,398	\$ 40,320,390
Receivables (Note 4)	3,410,033	2,937,274	6,347,307
Prepaid expenses	140,352	25,653	166,005
Total current assets	19,739,377	27,094,325	46,833,702
Noncurrent assets:			
Special assessment receivables - Greater than one year (Note 4)	1,781,335	411,960	2,193,295
Capital assets: (Note 5)			
Assets not subject to depreciation	432,512	157,857	590,369
Assets subject to depreciation - Net	71,837,862	23,401,446	95,239,308
Total noncurrent assets	74,051,709	23,971,263	98,022,972
Total assets	93,791,086	51,065,588	144,856,674
Deferred Outflows of Resources - Deferred charge on bond refunding	584,859	-	584,859
Liabilities			
Current liabilities:			
Accounts payable	521,805	1,105,949	1,627,754
Accrued liabilities and other	106,560	-	106,560
Current portion of bonds payable (Note 7)	1,725,000	-	1,725,000
Total current liabilities	2,353,365	1,105,949	3,459,314
Noncurrent liabilities - Bonds payable (Note 7)	29,171,370	-	29,171,370
Total liabilities	31,524,735	1,105,949	32,630,684
Net Position			
Net investment in capital assets	41,958,863	23,559,303	65,518,166
Unrestricted	20,892,347	26,400,336	47,292,683
Total net position	<u>\$ 62,851,210</u>	<u>\$ 49,959,639</u>	<u>\$ 112,810,849</u>

Charter Township of Commerce

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

Year Ended December 31, 2025

	Sewer Fund	Water Fund	Total Enterprise Funds
Operating Revenue			
Sale of water	\$ -	\$ 8,340,163	\$ 8,340,163
Sewage disposal charges	10,834,035	-	10,834,035
Installation fees	470,802	-	470,802
Other income	32,133	-	32,133
Total operating revenue	11,336,970	8,340,163	19,677,133
Operating Expenses			
Cost of water	-	3,911,613	3,911,613
Cost of sewage treatment	4,669,815	-	4,669,815
Other operating and maintenance costs	2,084,806	3,335,986	5,420,792
Depreciation	3,535,042	1,207,122	4,742,164
Total operating expenses	10,289,663	8,454,721	18,744,384
Operating Income (Loss)	1,047,307	(114,558)	932,749
Nonoperating Revenue (Expense)			
Investment income	690,837	913,846	1,604,683
Interest expense	(1,239,313)	-	(1,239,313)
Total nonoperating (expense) revenue	(548,476)	913,846	365,370
Income - Before capital contributions	498,831	799,288	1,298,119
Capital Contributions			
Special assessments	1,888	-	1,888
Benefit fees	819,262	134,178	953,440
Total capital contributions	821,150	134,178	955,328
Transfers Out	-	(94,487)	(94,487)
Change in Net Position	1,319,981	838,979	2,158,960
Net Position - Beginning of year	61,531,229	49,120,660	110,651,889
Net Position - End of year	\$ 62,851,210	\$ 49,959,639	\$ 112,810,849

Charter Township of Commerce

Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2025

	Sewer Fund	Water Fund	Total Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 11,200,693	\$ 8,176,277	\$ 19,376,970
Payments to suppliers	(6,777,976)	(6,887,919)	(13,665,895)
Net cash and cash equivalents provided by operating activities	4,422,717	1,288,358	5,711,075
Cash Flows Used in Noncapital Financing Activities -			
Transfers to other funds	-	(94,487)	(94,487)
Cash Flows from Capital and Related Financing Activities			
Special assessment collections	766,228	-	766,228
Benefit fees	140,126	134,178	274,304
Purchase of capital assets	(1,334,864)	(48,833)	(1,383,697)
Principal and interest paid on capital debt	(4,734,657)	-	(4,734,657)
Net cash and cash equivalents (used in) provided by capital and related financing activities	(5,163,167)	85,345	(5,077,822)
Cash Flows Provided by Investing Activities - Interest received on investments	690,837	943,272	1,634,109
Net (Decrease) Increase in Cash and Cash Equivalents	(49,613)	2,222,488	2,172,875
Cash and Cash Equivalents - Beginning of year	16,238,605	21,908,910	38,147,515
Cash and Cash Equivalents - End of year	\$ 16,188,992	\$ 24,131,398	\$ 40,320,390
Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents from Operating Activities			
Operating income (loss)	\$ 1,047,307	\$ (114,558)	\$ 932,749
Adjustments to reconcile operating income (loss) to net cash and cash equivalents from operating activities:			
Depreciation	3,535,042	1,207,122	4,742,164
Changes in assets and liabilities:			
Receivables	(136,277)	(163,886)	(300,163)
Prepaid and other assets	15,765	(4,694)	11,071
Accounts payable	(39,120)	364,374	325,254
Total adjustments	3,375,410	1,402,916	4,778,326
Net cash and cash equivalents provided by operating activities	\$ 4,422,717	\$ 1,288,358	\$ 5,711,075

Charter Township of Commerce

**Fiduciary Funds
Statement of Fiduciary Net Position**

December 31, 2025

	Other Employee Benefit Trust Fund - Retirement Health Funding Vehicle Fund	Custodial Fund - Tax Collection Fund	Total Fiduciary Funds
Assets			
Cash and cash equivalents	\$ -	\$ 3,746,474	\$ 3,746,474
Interest in investment pool	526,450	-	526,450
Property tax receivables	-	4,403,885	4,403,885
Total assets	526,450	8,150,359	8,676,809
Liabilities - Due to other governments	-	3,746,474	3,746,474
Deferred Inflows of Resources - Taxes levied for the following year	-	4,403,885	4,403,885
Net Position - Restricted - Postemployment benefits other than pension	<u>\$ 526,450</u>	<u>\$ -</u>	<u>\$ 526,450</u>

Charter Township of Commerce

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2025

	Other Employee Benefit Trust Fund - Retirement Health Funding Vehicle Fund	Custodial Fund - Tax Collection Fund	Total Fiduciary Funds
Additions			
Investment income (loss):			
Net increase in fair value of investments	\$ 71,013	\$ -	\$ 71,013
Investment costs	(1,033)	-	(1,033)
Net investment income	69,980	-	69,980
Property tax collections	-	73,832,480	73,832,480
Total additions	69,980	73,832,480	73,902,460
Deductions			
Benefit payments	5,500	-	5,500
Tax distributions to other governments	-	73,832,480	73,832,480
Total deductions	5,500	73,832,480	73,837,980
Net Increase in Fiduciary Net Position	64,480	-	64,480
Net Position - Beginning of year	461,970	-	461,970
Net Position - End of year	\$ 526,450	\$ -	\$ 526,450

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

The Charter Township of Commerce (the "Township") follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

The Township is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component unit, an entity for which the Township is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township.

Discretely Presented Component Unit

The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA's governing body, which consists of nine individuals, is selected by the township board. In addition, the DDA's budget is subject to approval by the township board. Complete financial reports can be obtained at its administrative offices at 2009 Township Drive, Commerce Township, MI 48390.

Fiduciary Component Unit

The retiree health care plan is governed by the township board. Although the retiree health care plan is legally separate from the Township, it is reported as a fiduciary component unit because the township board serves as the plan's board and the plan imposes a financial burden on the Township.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the Township's water and sewer function and various other functions. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

Note 1 - Significant Accounting Policies (Continued)

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Township has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Township considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Accounting

The Township accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the Township to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The Township reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Fire Fund reports the proceeds of a township-wide special assessment for fire services.
- The Sheriff Fund reports the proceeds of a township-wide special assessment for police services, which are currently provided by the Oakland County, Michigan sheriff's department.
- The Improvement and Building Fund accounts for the major improvements within the Township, garbage collection, and other assessments, including lake weed and road dust control, snow removal, and street lighting.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the Township). The Township has no internal service funds; it reports the following funds as major enterprise funds:

- The Sewer Fund disposes of sanitary sewage in exchange for quarterly user charges. The system is managed by the Oakland County Water Resources Commission.
- The Water Fund provides water to customers in exchange for quarterly usage charges. The system is managed by the Oakland County Water Resources Commission.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the Township's programs. The Township reports the following fiduciary funds:

- The Retirement Health Funding Vehicle Fund accumulates resources for future retiree health care payments to retirees.
- The Tax Collection Fund collects taxes on behalf of all the taxing authorities (state, county, school district, township, and the various smaller authorities).

Interfund Activity

During the course of operations, the Township has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Note 1 - Significant Accounting Policies (Continued)

Capital Assets

Capital assets are reported in the applicable governmental, business-type, and component unit columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Capital Asset Class</u>	<u>Depreciable Life - Years</u>
Land improvements	10-40
Buildings	5-40
Equipment	3-20
Vehicles	7-20
Books and materials	5-7

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The Debt Sinking Fund will be used to liquidate the DDA nonexchange financial guarantee.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The Township reports the following deferred outflows of resources and deferred inflows of resources:

	<u>Outflows</u>	<u>Inflows</u>
Unavailable revenue (revenue not collected within the period of availability) - Reported only at the modified accrual level		✓
Deferred charge on bond refunding	✓	
Property taxes levied for the following year		✓
Deferred lease revenue		✓

Note 1 - Significant Accounting Policies (Continued)

Net Position

Net position of the Township is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of investment in capital or restricted.

Net Position Flow Assumption

The Township will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The Township will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The Township itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Township's highest level of decision-making authority. The board of trustees is the highest level of decision-making authority for the Township that can, by resolution prior to the end of the fiscal year, commit fund balance. Once committed, the limitation imposed by the board of trustees remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board of trustees may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

December 31, 2025

Note 1 - Significant Accounting Policies (Continued)

The board of trustees has adopted, by ordinance, a Budget Stabilization Fund under Michigan's Public Act 30 of 1978. The board of trustees may, with a two-thirds vote, set aside General Fund surplus up to a maximum of 20 percent of the most recent General Fund budget or an average of the five most recent amended budgets, whichever is less. An appropriation from the Budget Stabilization Fund, which also requires a two-thirds vote of the board of trustees, may occur only to correct a budget shortfall or to compensate in the case of a natural disaster. The balance of the Budget Stabilization Fund, which is reported in the General Fund, is \$1,559,955 at December 31, 2025.

Property Tax Revenue

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

The Township's property tax revenue was levied and collectible on December 31, 2024 and is recognized as revenue in the year ended December 31, 2025 when the proceeds of the levy are budgeted and available for the financing of operations.

The taxable valuation of the Township totaled \$2.9 billion (a portion of which is abated and a portion of which is captured by the DDA). Taxes were levied as follows:

Millage	Millage Rate	Revenue
General operating	2.0100 \$	5,238,000
Fire township-wide special assessment	2.8000	7,787,000
Police township-wide special assessment	2.6220	7,462,000
Library extra voted	0.6565	2,505,000
Open space extra voted	0.3662	956,000

Note that the Township allocates 0.3 of its general operating mills to both the Library Fund and the Sheriff Fund, leaving 1.41 mills to be allocated to the General Fund.

In addition, the Township assessed per parcel for township-wide residential garbage collection, which is reported in these financial statements as charges for services.

Leases

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

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

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

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

Note 1 - Significant Accounting Policies (Continued)

Pension

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

Compensated Absences (PTO)

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

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds is charges to customers for sales or services. Operating expenses for these funds include the cost of sales or services and administrative expenses and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2026.

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

In December 2025, the Governmental Accounting Standards Board issued Statement No. 105, *Subsequent Events*, which improves financial reporting requirements for subsequent events by clarifying the subsequent events time frame and the distinction between recognized and nonrecognized events. This statement also establishes specific note disclosure requirements and requires disclosure of the date through which subsequent events have been evaluated. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2027.

December 31, 2025

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. The Township utilizes a separate fund for budgetary and compliance purposes. This fund is rolled into the General Fund for reporting purposes, but the separate budgetary fund allows the fund balance to be maintained separately, and any fund balance is reported in these financial statements as legally restricted for building inspections.

Cumulative surplus at January 1, 2025	\$ 1,306,804
Current year permit revenue	1,741,840
Related expenses - Direct costs	<u>(1,757,137)</u>
Current year deficiency	<u>(15,297)</u>
Cumulative surplus at December 31, 2025	<u><u>\$ 1,291,507</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has authorized four banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs but not the remainder of state statutory authority, as listed above. The Township's deposits and investments are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had bank deposits of \$54,324,218 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township also reports approximately \$3.3 million of Sewer Fund and Water Fund cash held by Oakland County, Michigan that is not included in the calculation of uninsured deposits. The Township believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

December 31, 2025

Note 3 - Deposits and Investments (Continued)

At year end, the Township had the following investments:

Investment	Fair Value	Weighted- average Maturity (Years)
Primary Government		
U.S. government agency securities	\$ 403,314	0.73
Michigan CLASS	26,608,914	0.11
Negotiable certificates of deposit	<u>324,485</u>	2.33
Total	<u>\$ 27,336,713</u>	

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of December 31, 2025, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Primary Government			
U.S. government agency securities	\$ 403,314	Aa1	Moody's
Michigan CLASS	26,608,914	AAAm	S&P
Negotiable certificates of deposit	<u>324,485</u>	Not rated	N/A
Total	<u>\$ 27,336,713</u>		

Concentration of Credit Risk

The Township places no limit on the amount it may invest in any one issuer and has no qualifying investments that exceed 5 percent of the Township's total investments.

Fair Value Measurements

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Township's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Township has the following recurring fair value measurements as of December 31, 2025:

- The Township's investments in MERS Total Market Portfolio (\$526,450) and Michigan CLASS (\$26,608,914) are measured at net asset value (NAV).
- Negotiable certificates of deposit of \$324,485 and U.S. government agency securities of \$403,314 are valued using a matrix pricing model (Level 2 inputs).

December 31, 2025

Note 3 - Deposits and Investments (Continued)

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

Investments in Entities that Calculate Net Asset Value per Share

The Township holds shares or interests in investment pools where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At December 31, 2025, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Carrying Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Primary Government				
Michigan CLASS investment pool	\$ 26,608,914	\$ -	No restrictions	None
Fiduciary Funds				
MERS Total Market Fund	\$ 526,450	\$ -	No restrictions	None

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

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

Note 4 - Receivables

Receivables as of December 31, 2025 for the Township's General Fund and other major funds and the nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		<u>Total</u>
	<u>General Fund</u>	<u>Other Major Funds</u>	<u>Nonmajor Funds</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	
Receivables:						
Property taxes receivable	\$ 1,595,015	\$ 6,836,193	\$ 1,427,976	\$ -	\$ -	\$ 9,859,184
Special assessments receivable	-	1,385,768	110,609	1,781,335	411,960	3,689,672
Customer receivables	-	-	-	3,009,551	2,777,174	5,786,725
Leases receivable	2,091,835	-	-	-	-	2,091,835
Other receivables	217,231	633,485	-	12,421	-	863,137
Due from other governments	746,979	511	149,533	388,061	160,100	1,445,184
Allowance for doubtful accounts	-	(155,770)	-	-	-	(155,770)
Total receivables	\$ 4,651,060	\$ 8,700,187	\$ 1,688,118	\$ 5,191,368	\$ 3,349,234	\$ 23,579,967

December 31, 2025

Note 5 - Capital Assets

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

Governmental Activities

	Balance January 1, 2025	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2025
Capital assets not being depreciated:					
Land	\$ 12,691,546	\$ -	\$ -	\$ -	\$ 12,691,546
Construction in progress	1,098,853	(203,019)	1,164,607	-	2,060,441
Subtotal	13,790,399	(203,019)	1,164,607	-	14,751,987
Capital assets being depreciated:					
Buildings	27,545,531	-	-	-	27,545,531
Improvements	9,916,126	203,019	216,397	-	10,335,542
Machinery and equipment	10,963,751	-	833,024	-	11,796,775
Books and materials	1,987,706	-	137,671	-	2,125,377
Subtotal	50,413,114	203,019	1,187,092	-	51,803,225
Accumulated depreciation:					
Buildings	7,975,760	-	688,739	-	8,664,499
Improvements	3,236,743	-	454,050	-	3,690,793
Machinery and equipment	8,091,955	-	674,811	-	8,766,766
Books and materials	1,550,375	-	233,737	-	1,784,112
Subtotal	20,854,833	-	2,051,337	-	22,906,170
Net capital assets being depreciated	29,558,281	203,019	(864,245)	-	28,897,055
Net governmental activities capital assets	<u>\$ 43,348,680</u>	<u>\$ -</u>	<u>\$ 300,362</u>	<u>\$ -</u>	<u>\$ 43,649,042</u>

Business-type Activities

	Balance January 1, 2025	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2025
Capital assets not being depreciated:					
Land	\$ 438,993	\$ -	\$ -	\$ -	\$ 438,993
Construction in progress	102,543	-	48,833	-	151,376
Subtotal	541,536	-	48,833	-	590,369
Capital assets being depreciated -					
Buildings and infrastructure	193,631,052	-	1,334,864	-	194,965,916
Accumulated depreciation -					
Buildings and infrastructure	94,984,444	-	4,742,164	-	99,726,608
Net capital assets being depreciated	98,646,608	-	(3,407,300)	-	95,239,308
Net business-type activities capital assets	<u>\$ 99,188,144</u>	<u>\$ -</u>	<u>\$ (3,358,467)</u>	<u>\$ -</u>	<u>\$ 95,829,677</u>

December 31, 2025

Note 5 - Capital Assets (Continued)

Component Unit

	Balance January 1, 2025	Additions	Disposals and Adjustments	Balance December 31, 2025
Capital assets not being depreciated - Land	\$ 2,059,867	\$ -	\$ -	\$ 2,059,867

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:		
General government		\$ 245,073
Public safety		749,777
Public works		13,121
Recreation and culture		1,043,366
Total governmental activities		<u>\$ 2,051,337</u>
Business-type activities:		
Sewer		\$ 3,535,042
Water		1,207,122
Total business-type activities		<u>\$ 4,742,164</u>

Construction Commitments

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

	Spent to Date	Remaining Commitment
Horse Farm - Reroof part of barn	\$ 19,110	\$ 103,145
Pontiac Trail & Beck Water Main	118,816	1,782,234
Maintenance building	50,000	17,000
Library generator	210,438	738,199
RSC restrooms	35,497	464,903
Total	<u>\$ 433,861</u>	<u>\$ 3,105,481</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The balance of amounts loaned to the discretely presented component unit, including \$3.3 million loaned in 2025 and accrued interest, is as follows:

Receivable	Payable	Amount
General Fund	Downtown Development Authority	\$ 35,934,901

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

December 31, 2025

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Improvement and Building Fund	\$ 250,000
	Nonmajor governmental funds	2,035,000
	Total General Fund	2,285,000
Water Fund	Improvement and Building Fund	94,487
	Total	<u>\$ 2,379,487</u>

The transfers from the General Fund to the other funds represent the use of unrestricted resources to finance those programs in accordance with budgetary authorizations. Specifically, the General Fund transferred \$2,000,000 to the Debt Sinking Fund to set aside cash in the event the Downtown Development Authority requires additional resources to make the debt service payments guaranteed by the Township. The transfer from the Water Fund to the Improvement and Building Fund was to move residual special assessment revenue to the fund from which it will be spent.

Note 7 - Long-term Debt

Long-term debt activity for the year ended December 31, 2025 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
General obligation special assessment bonds - Direct borrowing - Peninsular Park Paving SAD Bonds	\$ 443,000	\$ -	\$ (148,000)	\$ 295,000	\$ 74,000
Compensated absences	369,483	648,032	(642,726)	374,789	18,619
Nonexchange financial guarantee (Note 8)	3,496,035	522,075	-	4,018,110	-
Total governmental activities long-term debt	<u>\$ 4,308,518</u>	<u>\$ 1,170,107</u>	<u>\$ (790,726)</u>	<u>\$ 4,687,899</u>	<u>\$ 92,619</u>

December 31, 2025

Note 7 - Long-term Debt (Continued)

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Other debt:					
2016 Capital Improvement Refunding Bonds	\$ 19,190,000	\$ -	\$ (2,760,000)	\$ 16,430,000	\$ 1,080,000
2017 Capital Improvement Refunding Bonds	9,055,000	-	(25,000)	9,030,000	25,000
2019 Capital Improvement Refunding Bonds	2,700,000	-	(485,000)	2,215,000	515,000
Total other debt outstanding	30,945,000	-	(3,270,000)	27,675,000	1,620,000
Direct borrowings and direct placements - Clean Water State Revolving Funds Project 5550-01	564,804	-	(60,000)	504,804	60,000
Direct borrowings and direct placements - Clean Water State Revolving Funds Project 5760-01	1,583,619	-	(40,000)	1,543,619	45,000
Unamortized bond premiums	1,331,781	-	(158,834)	1,172,947	-
Total business-type activities long-term debt	<u>\$ 34,425,204</u>	<u>\$ -</u>	<u>\$ (3,528,834)</u>	<u>\$ 30,896,370</u>	<u>\$ 1,725,000</u>

Component Unit

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Other debt:					
2016 Downtown Development Authority Limited Tax General Obligation Bonds Series 2016-A	\$ 10,730,000	\$ -	\$ (2,560,000)	\$ 8,170,000	\$ 2,645,000
2019 Downtown Development Authority Limited Tax General Obligation Bonds Series 2019	23,520,000	-	(2,025,000)	21,495,000	2,085,000
Total other debt principal outstanding	34,250,000	-	(4,585,000)	29,665,000	4,730,000
Unamortized bond premiums	756,173	-	(180,410)	575,763	-
Total component unit long-term debt	<u>\$ 35,006,173</u>	<u>\$ -</u>	<u>\$ (4,765,410)</u>	<u>\$ 30,240,763</u>	<u>\$ 4,730,000</u>

The Township had deferred outflows of \$584,859 related to deferred charges on bond refundings at December 31, 2025 recorded within business-type activities.

December 31, 2025

Note 7 - Long-term Debt (Continued)

General Obligation Bonds and Contracts

The Township issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. General obligations outstanding at December 31, 2025 are as follows:

<u>Purpose</u>	<u>Year Issued</u>	<u>Interest Rates</u>	<u>Maturing</u>	<u>Outstanding</u>
Governmental Activities				
Special assessment bonds	2020	1.55%	2030	<u>\$ 295,000</u>
Business-type Activities				
Clean Water State Revolving Funds (direct borrowing)	2013	2.0%	2033	\$ 504,804
Clean Water State Revolving Funds (direct borrowing)	2023	1.88%	2043	1,543,619
Capital improvement refunding bonds (other debt)	2016	3.0 - 5.0%	2038	16,430,000
Capital improvement refunding bonds (other debt)	2017	4.0%	2039	9,030,000
Capital improvement refunding bonds (other debt)	2019	4.0%	2029	<u>2,215,000</u>
Total business-type activities				<u>\$ 29,723,423</u>
Component Unit				
Series 2016-A LTGO bonds	2016	5.0%	2028	\$ 8,170,000
Series 2019 LTGO bonds	2019	2.97 - 3.85%	2034	<u>21,495,000</u>
Total component unit				<u>\$ 29,665,000</u>

Note 7 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds, note obligations, and present value of capital lease obligations are as follows:

Years Ending December 31	Governmental Activities				
	Direct Borrowings				
	Principal	Interest	Total		
2026	\$ 74,000	\$ 4,573	\$ 78,573		
2027	74,000	3,426	77,426		
2028	74,000	2,279	76,279		
2029	73,000	1,132	74,132		
2030	-	-	-		
2031-2035	-	-	-		
2036-2040	-	-	-		
2041-2045	-	-	-		
Total	\$ 295,000	\$ 11,410	\$ 306,410		

Years Ending December 31	Business-type Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2026	\$ 105,000	\$ 39,039	\$ 1,620,000	\$ 1,161,606	\$ 2,925,645
2027	110,000	36,995	1,700,000	1,086,006	2,933,001
2028	110,000	34,858	1,780,000	1,006,656	2,931,514
2029	115,000	32,720	1,860,000	923,556	2,931,276
2030	125,000	30,489	2,040,000	836,756	3,032,245
2031-2035	574,804	115,302	11,375,000	2,977,312	15,042,418
2036-2040	510,000	67,277	7,300,000	658,850	8,536,127
2041-2045	398,619	15,579	-	-	414,198
Total	\$ 2,048,423	\$ 372,259	\$ 27,675,000	\$ 8,650,742	\$ 38,746,424

Years Ending December 31	Component Unit Activities		
	Other Debt		
	Principal	Interest	Total
2026	\$ 4,730,000	\$ 1,097,901	\$ 5,827,901
2027	4,915,000	898,912	5,813,912
2028	4,980,000	691,923	5,671,923
2029	2,295,000	549,596	2,844,596
2030	2,370,000	471,497	2,841,497
2031-2035	10,375,000	999,852	11,374,852
2036-2040	-	-	-
2041-2045	-	-	-
Total	\$ 29,665,000	\$ 4,709,681	\$ 34,374,681

December 31, 2025

Note 8 - Nonexchange Financial Guarantee

During the period from 2001 through 2006, the Downtown Development Authority issued debt that was used to purchase land for development and for the construction of Martin Parkway. The purpose of the program was to ease congestion on Haggerty Road, create an entrance to the Township from the south, and better control the development of that property. The intent was to resell much of the land in a controlled manner and to use the proceeds of such sales along with captured taxes (the DDA captures the taxes on the incremental growth of taxable value within the DDA) to pay off the indebtedness. All debt of the DDA has been guaranteed by the Township.

The economic downturn of 2008-2011 resulted in a decline of the DDA's captured taxes, as well as property sales that were delayed and with lower prices than anticipated. The Township requested additional funding from its residents for sheriff and fire protection services in order to free up sufficient resources in the General Fund to support the DDA debt. To date, the Township has advanced \$32,050,000 to the DDA, plus \$3,884,901 of accrued interest, resulting in a receivable owed to the Township of \$35,934,901. The DDA has the ability to continue capturing taxes into the future, which can be used to repay this advance. Therefore, the Township considers this to be fully collectible.

The Township also estimates the additional amount it expects to pay in future years to support the DDA's debt. As of December 31, 2025, the Township has recorded an estimated liability for this financial guarantee of \$4,018,110. This reflects a increase of \$522,075 as a result of slight adjustments to the estimated land sales and future development.

December 31, 2025

Note 9 - Fund Balance Constraints

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

	General Fund	Fire Fund	Sheriff Fund	Improvement and Building Fund	Nonmajor Funds	Total
Nonspendable - Prepays	\$ 106,132	\$ 110,774	\$ -	\$ -	\$ 17,123	\$ 234,029
Restricted:						
Sheriff	-	-	3,798,634	-	-	3,798,634
Fire	-	5,099,138	-	-	-	5,099,138
Building inspections	1,245,443	-	-	-	-	1,245,443
Library	-	-	-	-	5,003,431	5,003,431
Open space acquisitions, maintenance, and improvements	-	-	-	-	2,288,308	2,288,308
Historic preservation	-	-	-	-	192,320	192,320
Special assessments	-	-	-	-	247,599	247,599
Total restricted	1,245,443	5,099,138	3,798,634	-	7,731,658	17,874,873
Committed:						
Budget stabilization	1,559,955	-	-	-	-	1,559,955
Improvement and building	-	-	-	2,554,354	-	2,554,354
Total committed	1,559,955	-	-	2,554,354	-	4,114,309
Assigned:						
DDA debt support	-	-	-	-	4,545,178	4,545,178
Road improvements	1,419,057	-	-	-	-	1,419,057
Retiree health care	46	-	-	-	-	46
Cemetery	-	-	-	-	281,480	281,480
Total assigned	1,419,103	-	-	-	4,826,658	6,245,761
Unassigned	35,184,862	-	-	-	-	35,184,862
Total fund balances	<u>\$ 39,515,495</u>	<u>\$ 5,209,912</u>	<u>\$ 3,798,634</u>	<u>\$ 2,554,354</u>	<u>\$ 12,575,439</u>	<u>\$ 63,653,834</u>

Note 10 - Net Position Restrictions

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

Open space acquisitions, maintenance, and improvements	\$ 2,288,308
Historic preservation	192,320
Special assessment	247,599
Total other restrictions	<u>\$ 2,728,227</u>

Note 11 - Pension Plan

Plan Description

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

Note 11 - Pension Plan (Continued)

Benefits Provided

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

Pension Expense

During the year ended December 31, 2025, expense was approximately \$783,000. This did not include any forfeitures; at year end, there was no liability to the pension plan.

Note 12 - Other Postemployment Benefits

The Township offers postemployment health insurance benefits to its employees. For eligible retirees, the Township will pay 25 to 100 percent (depending on employee group) of the retiree's health care premium from his or her retirement until age 65. After age 65, only firefighters are eligible for a monthly stipend. During the year ended December 31, 2025, there were no retirees eligible for health insurance benefits and \$5,500 was paid in stipends to eligible firefighters. There are 76 active employees who may become eligible for OPEB. Because the potential liability is not material, the Township has elected not to account for this plan in accordance with GASB Statement No. 75. The Township has established a trust with the Municipal Employees' Retirement System of Michigan. The trust has a balance of \$526,450 at December 31, 2025, which is greater than the actuarially estimated liability. The plan does not issue a separate financial report and is included in the Township's basic financial statements in fiduciary funds statements.

Note 13 - Risk Management

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

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

Note 14 - Leases

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

During the year ended December 31, 2025, the Township recognized the following related to its lessor agreements:

Lease revenue	\$	132,572
Interest income related to its leases		58,973

Required Supplementary Information

Charter Township of Commerce

Required Supplementary Information Budgetary Comparison Schedule General Fund

Year Ended December 31, 2025

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 3,833,500	\$ 3,833,500	\$ 3,857,866	\$ 24,366
Intergovernmental:				
Federal grants	-	-	9,929	9,929
State sources:				
State-shared revenue	4,254,500	4,254,500	4,419,259	164,759
Local Community Stabilization Authority	25,000	25,000	39,243	14,243
Other state aid	10,000	10,000	12,867	2,867
Local grants and contributions	2,200	2,200	3,452	1,252
Charges for services	456,550	456,550	654,149	197,599
Fines and forfeitures	50,000	50,000	136,030	86,030
Licenses and permits	573,000	573,000	592,887	19,887
Interest and rentals	790,270	790,270	1,761,386	971,116
Other revenue	79,100	79,100	168,993	89,893
Total revenue	10,074,120	10,074,120	11,656,061	1,581,941
Expenditures				
Current services:				
General government:				
Governing body	39,500	39,500	26,547	12,953
Supervisor	172,103	172,103	169,672	2,431
Finance/Human resources	329,371	329,371	315,491	13,880
Information technology	225,768	219,768	215,159	4,609
Treasurer	498,102	504,102	502,118	1,984
Assessing	420,200	581,200	580,913	287
Board of review	5,500	5,500	4,037	1,463
Clerk	473,877	473,877	460,133	13,744
Building and grounds maintenance	277,300	203,500	192,579	10,921
Attorney	300,000	300,000	256,458	43,542
Elections	32,000	32,000	31,468	532
Township hall - General services	226,851	234,168	183,608	50,560
Other	170,483	105,483	92,472	13,011
Public safety - Ordinance enforcement	170,442	171,942	164,797	7,145
Public works:				
Street lighting	30,000	30,000	35,462	(5,462)
Maintenance department	672,406	659,993	546,418	113,575
Community and economic development:				
Planning	422,443	359,355	330,004	29,351
CDBG	-	4,734	6,960	(2,226)
Recreation and culture - Parks and recreation	948,445	865,384	784,061	81,323
Total expenditures	5,414,791	5,291,980	4,898,357	393,623
Excess of Revenue Over Expenditures	4,659,329	4,782,140	6,757,704	1,975,564

Charter Township of Commerce

Required Supplementary Information Budgetary Comparison Schedule General Fund (Continued)

Year Ended December 31, 2025

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Other Financing (Uses) Sources				
Transfers out	\$ (2,385,000)	\$ (2,385,000)	\$ (2,305,280)	\$ 79,720
Sale of capital assets	2,000	2,000	10,996	8,996
Total other financing uses	<u>(2,383,000)</u>	<u>(2,383,000)</u>	<u>(2,294,284)</u>	<u>88,716</u>
Net Change in Fund Balance	2,276,329	2,399,140	4,463,420	2,064,280
Fund Balance - Beginning of year	<u>30,781,510</u>	<u>30,781,510</u>	<u>30,781,510</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 33,057,839</u>	<u>\$ 33,180,650</u>	<u>\$ 35,244,930</u>	<u>\$ 2,064,280</u>

Charter Township of Commerce

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

Year Ended December 31, 2025

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 7,727,670	\$ 7,790,113	\$ 7,787,170	\$ (2,943)
Intergovernmental	-	33,735	33,736	1
Charges for services	610,500	1,410,500	1,328,483	(82,017)
Fines and forfeitures	1,000	1,000	100	(900)
Interest and rentals	200,468	315,000	343,832	28,832
Other revenue	4,300	300	1,400	1,100
Total revenue	8,543,938	9,550,648	9,494,721	(55,927)
Expenditures				
Public safety	7,285,558	7,737,333	7,468,697	268,636
Capital outlay	510,000	519,000	663,058	(144,058)
Total expenditures	7,795,558	8,256,333	8,131,755	124,578
Other Financing Sources - Transfers in	5,000	-	-	-
Net Change in Fund Balance	753,380	1,294,315	1,362,966	68,651
Fund Balance - Beginning of year	3,846,946	3,846,946	3,846,946	-
Fund Balance - End of year	\$ 4,600,326	\$ 5,141,261	\$ 5,209,912	\$ 68,651

Charter Township of Commerce

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

Year Ended December 31, 2025

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 7,402,610	\$ 7,465,006	\$ 7,462,154	\$ (2,852)
Intergovernmental	-	33,586	34,439	853
Charges for services	294,876	320,000	354,865	34,865
Interest and rentals	240,000	310,000	312,837	2,837
Other revenue	35,000	-	11,355	11,355
Total revenue	7,972,486	8,128,592	8,175,650	47,058
Expenditures - Public safety	7,661,514	7,623,264	7,113,785	509,479
Net Change in Fund Balance	310,972	505,328	1,061,865	556,537
Fund Balance - Beginning of year	2,736,769	2,736,769	2,736,769	-
Fund Balance - End of year	<u>\$ 3,047,741</u>	<u>\$ 3,242,097</u>	<u>\$ 3,798,634</u>	<u>\$ 556,537</u>

Charter Township of Commerce

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

Year Ended December 31, 2025

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Charges for services	\$ 3,418,773	\$ 3,435,185	\$ 3,579,816	\$ 144,631
Interest and rentals	172,800	16,950	181,234	164,284
Total revenue	3,591,573	3,452,135	3,761,050	308,915
Expenditures				
Public works	3,518,773	3,760,428	3,894,222	(133,794)
Capital outlay	55,000	55,000	19,351	35,649
Total expenditures	3,573,773	3,815,428	3,913,573	(98,145)
Excess of Revenue Over (Under)				
Expenditures	17,800	(363,293)	(152,523)	210,770
Other Financing Sources - Transfers in	250,000	344,487	344,487	-
Net Change in Fund Balance	267,800	(18,806)	191,964	210,770
Fund Balance - Beginning of year	2,362,390	2,362,390	2,362,390	-
Fund Balance - End of year	<u>\$ 2,630,190</u>	<u>\$ 2,343,584</u>	<u>\$ 2,554,354</u>	<u>\$ 210,770</u>

Charter Township of Commerce

Notes to Required Supplementary Information

December 31, 2025

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds except that, in the budget, operating transfers and debt proceeds have been included in the revenue and expenditures categories rather than as other financing sources (uses). All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level (i.e., the level at which expenditures may not legally exceed appropriations).

For budgetary purposes, the Township maintains separate general ledgers/budgets for certain funds that are reported within the General Fund in the basic financial statements. As a result, the General Fund, as budgeted, excludes those separate activities. A reconciliation of the budgetary comparison schedules to the fund-based statement of revenue, expenditures, and changes in fund balances is as follows:

	Total Revenue	Total Expenditures	Fund Balance	Other Financing Uses
Amounts per operating statement	\$ 13,456,462	\$ 6,838,130	\$ 39,515,495	\$ (2,274,004)
Building and Inspection Fund	(1,741,840)	(1,757,137)	(1,291,507)	-
Road Improvements Fund	(51,551)	(175,710)	(1,419,057)	(100,000)
Retiree Health Care Plan	(7,010)	(6,926)	(46)	-
Budget Stabilization Fund	-	-	(1,559,955)	79,720
Amounts per budget statement	<u>\$ 11,656,061</u>	<u>\$ 4,898,357</u>	<u>\$ 35,244,930</u>	<u>\$ (2,294,284)</u>

Excess of Expenditures Over Appropriations in Budgeted Funds

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

	Budget	Actual	Variance
General Fund - Public works - Street lighting	\$ 30,000	\$ 35,462	\$ (5,462)
General Fund - Community and economic development - CDBG	4,734	6,960	(2,226)
Fire Fund - Capital outlay	519,000	663,058	(144,058)
Improvement and Building Fund - Public works	3,760,428	3,894,222	(133,794)

Supplementary Information

Charter Township of Commerce

Supplementary Information Combining Balance Sheet General Fund

December 31, 2025

	General Fund, as Budgeted	Building and Inspection Fund	Road Improvements Fund	Retiree Health Care Plan	Budget Stabilization Fund	Trust and Agency Fund	Total
Assets							
Cash and investments	\$ 36,847,282	\$ 1,722,026	\$ 1,419,057	\$ 158	\$ 1,559,955	\$ 868,446	\$ 42,416,924
Receivables:							
Property taxes receivable	1,595,015	-	-	-	-	-	1,595,015
Leases receivable	2,091,835	-	-	-	-	-	2,091,835
Other receivables	217,231	-	-	-	-	-	217,231
Due from other governments	746,979	-	-	-	-	-	746,979
Prepaid expenses	60,068	46,064	-	-	-	-	106,132
Long-term advance to component unit (including interest)	35,934,901	-	-	-	-	-	35,934,901
Total assets	\$ 77,493,311	\$ 1,768,090	\$ 1,419,057	\$ 158	\$ 1,559,955	\$ 868,446	\$ 83,109,017
Liabilities							
Accounts payable	\$ 78,353	\$ 116,464	\$ -	\$ 112	\$ -	\$ 2,609	\$ 197,538
Refundable deposits	204,983	-	-	-	-	865,837	1,070,820
Accrued liabilities and other	65,562	818	-	-	-	-	66,380
Unearned revenue	-	359,301	-	-	-	-	359,301
Total liabilities	348,898	476,583	-	112	-	868,446	1,694,039
Deferred Inflows of Resources							
Unavailable revenue	35,934,901	-	-	-	-	-	35,934,901
Taxes and assessments levied for the following year	4,068,290	-	-	-	-	-	4,068,290
Deferred inflows from leases	1,896,292	-	-	-	-	-	1,896,292
Total deferred inflows of resources	41,899,483	-	-	-	-	-	41,899,483
Total liabilities and deferred inflows of resources	42,248,381	476,583	-	112	-	868,446	43,593,522
Fund Balances							
Nonspendable	60,068	46,064	-	-	-	-	106,132
Restricted	-	1,245,443	-	-	-	-	1,245,443
Committed	-	-	-	-	1,559,955	-	1,559,955
Assigned	-	-	1,419,057	46	-	-	1,419,103
Unassigned	35,184,862	-	-	-	-	-	35,184,862
Total fund balances	35,244,930	1,291,507	1,419,057	46	1,559,955	-	39,515,495
Total liabilities, deferred inflows of resources, and fund balances	\$ 77,493,311	\$ 1,768,090	\$ 1,419,057	\$ 158	\$ 1,559,955	\$ 868,446	\$ 83,109,017

Charter Township of Commerce

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

Year Ended December 31, 2025

	General Fund, as Budgeted	Building and Inspection Fund	Road Improvements Fund	Retiree Health Care Plan	Budget Stabilization Fund	Trust and Agency Fund	Total
Revenue							
Property taxes and voter-approved assessments	\$ 3,857,866	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,857,866
Intergovernmental:							
Federal grants	9,929	-	-	-	-	-	9,929
State sources:							
State-shared revenue	4,419,259	-	-	-	-	-	4,419,259
Local Community Stabilization Authority	39,243	-	-	-	-	-	39,243
Other state aid	12,867	-	-	-	-	-	12,867
Local grants and contributions	3,452	-	-	-	-	-	3,452
Charges for services	654,149	-	-	-	-	-	654,149
Fines and forfeitures	136,030	-	-	-	-	-	136,030
Licenses and permits	592,887	1,741,840	-	-	-	-	2,334,727
Interest and rentals	1,761,386	-	51,551	-	-	-	1,812,937
Other revenue	168,993	-	-	7,010	-	-	176,003
Total revenue	11,656,061	1,741,840	51,551	7,010	-	-	13,456,462
Expenditures							
Current services:							
General government	3,030,655	-	-	6,926	-	-	3,037,581
Public safety	164,797	1,757,137	-	-	-	-	1,921,934
Public works	581,880	-	175,710	-	-	-	757,590
Community and economic development	336,964	-	-	-	-	-	336,964
Recreation and culture	784,061	-	-	-	-	-	784,061
Total expenditures	4,898,357	1,757,137	175,710	6,926	-	-	6,838,130
Excess of Revenue Over (Under) Expenditures	6,757,704	(15,297)	(124,159)	84	-	-	6,618,332
Other Financing (Uses) Sources							
Transfers (out) in	(2,305,280)	-	100,000	-	(79,720)	-	(2,285,000)
Sale of capital assets	10,996	-	-	-	-	-	10,996
Total other financing (uses) sources	(2,294,284)	-	100,000	-	(79,720)	-	(2,274,004)
Net Change in Fund Balances	4,463,420	(15,297)	(24,159)	84	(79,720)	-	4,344,328
Fund Balances (Deficit) - Beginning of year	30,781,510	1,306,804	1,443,216	(38)	1,639,675	-	35,171,167
Fund Balances - End of year	\$ 35,244,930	\$ 1,291,507	\$ 1,419,057	\$ 46	\$ 1,559,955	\$ -	\$ 39,515,495

Charter Township of Commerce

**Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds**

December 31, 2025

	Special Revenue Funds				Debt Service Funds		Total
	Open Space Fund	Historic Preservation Fund	Cemetery Fund	Library Fund	Debt Sinking Fund	Special Assessment Debt Fund	
Assets							
Cash and investments	\$ 2,782,387	\$ 192,320	\$ 281,480	\$ 6,657,683	\$ 4,545,178	\$ 246,117	\$ 14,705,165
Receivables	541,915	-	-	1,033,350	-	112,853	1,688,118
Prepaid expenses	-	-	-	17,123	-	-	17,123
Total assets	\$ 3,324,302	\$ 192,320	\$ 281,480	\$ 7,708,156	\$ 4,545,178	\$ 358,970	\$ 16,410,406
Liabilities							
Accounts payable	\$ 39,981	\$ -	\$ -	\$ 49,617	\$ -	\$ -	\$ 89,598
Accrued liabilities and other	-	-	-	29,871	-	762	30,633
Total liabilities	39,981	-	-	79,488	-	762	120,231
Deferred Inflows of Resources -							
Taxes and assessments levied for the following year	996,013	-	-	2,608,114	-	110,609	3,714,736
Total liabilities and deferred inflows of resources	1,035,994	-	-	2,687,602	-	111,371	3,834,967
Fund Balances							
Nonspendable	-	-	-	17,123	-	-	17,123
Restricted	2,288,308	192,320	-	5,003,431	-	247,599	7,731,658
Assigned	-	-	281,480	-	4,545,178	-	4,826,658
Total fund balances	2,288,308	192,320	281,480	5,020,554	4,545,178	247,599	12,575,439
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,324,302	\$ 192,320	\$ 281,480	\$ 7,708,156	\$ 4,545,178	\$ 358,970	\$ 16,410,406

Charter Township of Commerce

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

Year Ended December 31, 2025

	Special Revenue Funds				Debt Service Funds		Total
	Open Space Fund	Historic Preservation Fund	Cemetery Fund	Library Fund	Debt Sinking Fund	Special Assessment Debt Fund	
Revenue							
Property taxes and voter-approved assessments	\$ 959,179	\$ -	\$ -	\$ 2,505,402	\$ -	\$ -	\$ 3,464,581
Special assessments	-	-	-	-	-	38,396	38,396
Intergovernmental	395,256	275	-	90,810	-	-	486,341
Charges for services	-	-	14,840	11,237	-	-	26,077
Fines and forfeitures	-	-	-	11,663	-	-	11,663
Licenses and permits	-	-	-	110,953	-	-	110,953
Interest and rentals	98,362	6,627	10,689	237,131	215,227	17,377	585,413
Other revenue	-	-	-	15,667	-	-	15,667
Total revenue	1,452,797	6,902	25,529	2,982,863	215,227	55,773	4,739,091
Expenditures							
Current services:							
Public works	-	-	95,363	-	-	-	95,363
Community and economic development	-	-	-	-	3,300,000	-	3,300,000
Recreation and culture	5,873	-	-	2,438,773	-	-	2,444,646
Capital outlay	1,202,298	501	-	147,185	-	-	1,349,984
Debt service:							
Principal	-	-	-	-	-	148,000	148,000
Interest	-	-	-	-	-	6,484	6,484
Total expenditures	1,208,171	501	95,363	2,585,958	3,300,000	154,484	7,344,477
Excess of Revenue Over (Under) Expenditures	244,626	6,401	(69,834)	396,905	(3,084,773)	(98,711)	(2,605,386)
Other Financing Sources -							
Transfers in	-	-	35,000	-	2,000,000	-	2,035,000
Net Change in Fund Balances	244,626	6,401	(34,834)	396,905	(1,084,773)	(98,711)	(570,386)
Fund Balances - Beginning of year	2,043,682	185,919	316,314	4,623,649	5,629,951	346,310	13,145,825
Fund Balances - End of year	\$ 2,288,308	\$ 192,320	\$ 281,480	\$ 5,020,554	\$ 4,545,178	\$ 247,599	\$ 12,575,439