

*Charter Township of Oshtemo
Kalamazoo County, Michigan*

FINANCIAL STATEMENTS

Year ended December 31, 2025

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SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Charter Township of Oshtemo, Kalamazoo County, Michigan

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2025, and the respective changes in financial position 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve 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 generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress for the postemployment healthcare plan as noted on 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2026, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Township's internal control over financial reporting and compliance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Seber Tans, PLC
Kalamazoo, Michigan
June 15, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Charter Township of Oshtemo's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended December 31, 2025. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$1,947,343 (approximately 4 percent) as a result of this year's activities.
- Of the \$51,785,489 total net position reported, \$13,258,865 (26 percent) is available to be used to meet future operating and capital improvement needs, without constraints established by debt covenants, enabling legislation, or other legal requirements. (Please refer to the Township's CIP plan for the intended uses of unrestricted net position).
- The General Fund's unassigned fund balance at the end of the fiscal year was \$5,919,277, which represents 150 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and statements for component units. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how government services, like general government, public safety, and public works, were financed in the short-term, as well as what remains for future spending.
 - Fiduciary funds statements provide information about the financial relationships in which the Township acts solely as a custodian for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2025 and 2024 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Township's assets, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net position and how it has changed. Net position (the difference between the Township's assets and liabilities and deferred inflows of resources) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as police, fire, and general government activities. Property taxes, assessments, and state grants finance most of these activities.
- *Component units* - The Township includes two other entities in its report - the Downtown Development Authority and the South Drake Road Corridor Improvement Authority. Although legally separate, these "component units" are important because the Township is financially accountable for both Authorities.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain other revenues.

The Township has two types of funds:

- *Governmental funds.* Most of the Township's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the Township. The Township is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. The Township's fiduciary balances and activities are reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$51,785,489. Of this total, \$29,935,467 is invested in capital assets, \$6,745,561 is restricted for public safety, \$1,845,596 is restricted for public works, \$687,838 is restricted for debt services and \$13,258,865 is unrestricted.

Condensed financial information
Net position

	<u>Governmental activities</u>	
	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 33,038,909	\$ 32,418,444
Capital assets	<u>37,674,230</u>	<u>27,849,372</u>
Total assets	<u>70,713,139</u>	<u>60,267,816</u>
Deferred outflows of resources	-	<u>12,373</u>
Current and other liabilities	1,991,250	1,539,098
Long-term debt	<u>7,738,763</u>	-
Total liabilities	<u>9,730,013</u>	<u>1,539,098</u>
Deferred inflows of resources	<u>9,197,637</u>	<u>8,902,945</u>
Net position:		
Net investment in capital assets	29,935,467	27,849,372
Restricted	8,591,157	7,863,276
Unrestricted	<u>13,258,865</u>	<u>14,125,498</u>
Total net position	<u>\$ 51,785,489</u>	<u>\$ 49,838,146</u>

Changes in net position

The Township's total revenues were \$15,163,576. For 2025, charges for services were 56 percent of the Township's revenues, 18 percent comes from state grants, and 21 percent comes from property taxes.

The total cost of the Township's programs and services was \$13,216,233. Approximately 50 percent of the Township's costs are related to public safety activities, general government is 22 percent, and public works is 19 percent of expenses.

*Condensed financial information
Changes in net position*

	<u>Governmental activities</u>	
	<u>2025</u>	<u>2024</u>
Program revenues:		
Charges for services	\$ 8,540,297	\$ 8,210,315
Operating grants	404,626	494,573
Capital grants	-	250,000
General revenues:		
Property taxes	3,113,374	2,845,986
State grants	2,725,102	2,640,425
Franchise fees	125,647	134,258
Investment income	254,530	257,193
Insurance recoveries	-	77,448
Proceeds from dissolution of joint venture	-	536,647
	<u>15,163,576</u>	<u>15,446,845</u>
Total revenues		
Expenses:		
General government	2,895,959	2,646,881
Public safety	6,581,542	5,654,514
Public works	2,519,800	2,580,314
Community and economic development	521,993	462,638
Culture and recreation	641,635	349,434
Interest	55,304	-
	<u>13,216,233</u>	<u>11,693,781</u>
Total expenses		
Changes in net position	<u>\$ 1,947,343</u>	<u>\$ 3,753,064</u>
Net position, end of year	<u>\$ 51,785,489</u>	<u>\$ 49,838,146</u>

Governmental activities

The net position increased \$1,947,343 for 2025 compared to a \$3,753,064 increase in the prior year. The decrease can be attributed primarily to a decrease in revenues of \$283,269, while expenses increased by \$1,522,452 as all functions, except public works, increased costs.

The total cost of governmental activities this year was \$13,216,233. After subtracting the direct charges to those who directly benefited from the programs (\$8,540,297) and operating grants (\$404,626), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$4,271,310.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

As of the end of the current year, the Township's governmental funds reported combined ending fund balances of \$20,785,882, a decrease of \$86,799 from last year.

The General Fund is the primary operating fund of the Township. Its fund balance increased by \$1,053,211 during the year, as revenues of \$5,483,052 were higher than current expenditures of \$3,954,841 and transfers to other funds of \$475,000. The fund balance was \$8,397,470 at the end of the year.

The Road Fund increased fund balance by \$60,680, as revenues of \$1,502,908 exceeded expenditures of \$942,228 and net transfers out of \$500,000, the fund balance was \$1,157,758 at the end of the year.

The Fire Fund experienced an increase in fund balance of \$359,938 for 2025, as revenues of \$4,853,269 were more than current expenditures of \$4,493,331 including \$768,035 in capital outlay. The ending fund balance was \$4,142,555.

The Police Fund experienced a \$477,561 decrease in fund balance, which reflects police service expenditures of \$1,871,406 that were more than revenues of \$1,393,845. The fund balance at the end of the year was \$1,954,448.

The Building Inspections Fund experienced a \$96,986 increase in fund balance, which reflects inspections service expenditures of \$446,864 that were less than revenues of \$543,850. The fund balance at the end of the year was \$829,625.

The General Sewer Fund experienced a \$1,990,306 decrease in fund balance for 2025, as revenues of \$1,063,559 and transfers in of \$500,000 were less than current year's expenditures of \$1,358,498 and transfers out, to cover sewer construction, of \$2,195,367. The fund balance at the end of the year was \$1,009,378.

The General Water Fund experienced a \$25,656 increase in fund balance for 2025, as revenues of \$92,077, were more than current year's expenditures of \$66,421. The fund balance at the end of the year was \$2,205,945.

The Sewer Construction Fund, a capital project fund, experienced a \$221,230 increase in fund balance, as revenues of \$3, transfers in of \$1,665,162 and loan proceeds of \$7,738,763 exceeded capital expenditures of \$9,182,698.

General Fund budgetary highlights

The Township amended the General Fund expenditures and revenue budget for anticipated decreases in expenditures. Total revenues were \$65,502 more than anticipated, primarily due to intergovernmental revenues that were higher than anticipated. Total expenditures were \$710,273 less than the amounts appropriated, primarily due to capital outlay, community and economic development, and general government costs which were \$334,195, \$155,170 and \$189,118 respectively, less than projected due to planned projects not occurring and cost reductions in the current year.

These variances resulted in a positive budget variance of \$805,775, with a \$1,053,211 increase in fund balance compared to a budget that anticipated an increase of \$247,436 in the current year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Township's investment in capital assets as of December 31, 2025, was \$37,674,230 (net of accumulated depreciation). This investment includes buildings and improvements, equipment and vehicles, sewer, and water infrastructure. The \$9,824,858 increase in the Township's investment in capital assets for the current fiscal year includes \$11,366,103 in capital asset additions, less \$1,492,182 in depreciation expense and \$49,063 in loss on disposals for the year.

Major capital asset additions during the current fiscal year include:

- \$204,394 for building improvements
- \$10,170,719 for sewer expansion costs
- \$303,687 for fire equipment
- \$395,827 for fire vehicles

More detailed information about the Township's capital assets is presented in Note 6 of the notes to the basic financial statements.

Debt

At the end of the fiscal year, the Township had loans payable, with balances outstanding in the amount of \$7,738,763. New debt was issued, in the amount of \$7,738,763, no principle payments were made in the current year. All debt is backed by the full faith and credit of the Township.

The Township's long-term obligation consists of \$255,900 in accrued compensated absences.

More detailed information about the Township's long-term obligation is presented in Note 8 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Township expects to be able to use current revenues to provide essential services that will allow current fund balances to be maintained. The Township plans to maintain all ongoing programs for 2026. The ongoing costs of providing essential services for the citizens of the Township will need to be closely monitored in order to maintain the financial condition and operational capabilities of the Township.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Cheri Bell, Supervisor
Charter Township of Oshtemo
7275 West Main Street
Oshtemo, MI 49009

Phone: (269) 375-4260
Email: cbell@oshtemo.org

BASIC FINANCIAL STATEMENTS

Charter Township of Oshtemo
STATEMENT OF NET POSITION
December 31, 2025

	<u>Primary</u> <u>government</u>	<u>Component units</u>	
	<u>Governmental</u> <u>activities</u>	<u>Downtown</u> <u>Development</u> <u>Authority</u>	<u>South Drake</u> <u>Road Corridor</u> <u>Improvement</u> <u>Authority</u>
ASSETS			
Current assets:			
Cash	\$ 14,062,623	\$ 435,286	\$ 203,517
Investments	7,867,070	-	-
Prepays	230,470	-	-
Receivables, net	<u>9,449,437</u>	<u>161,307</u>	<u>24,034</u>
Total current assets	<u>31,609,600</u>	<u>596,593</u>	<u>227,551</u>
Noncurrent assets:			
Receivables, net	1,079,024	-	-
Restricted cash	60,400	-	-
Beneficial interest in assets held by foundation	96,262	-	-
Net OPEB assets	193,623	-	-
Capital assets not being depreciated	12,556,606	704,901	-
Capital assets, net of accumulated depreciation	<u>25,117,624</u>	<u>1,420,110</u>	<u>-</u>
Total noncurrent assets	<u>39,103,539</u>	<u>2,125,011</u>	<u>-</u>
Total assets	<u>70,713,139</u>	<u>2,721,604</u>	<u>227,551</u>
LIABILITIES			
Current liabilities:			
Payables	1,735,350	2,698	50
Compensated absences	127,950	-	-
Current portion of long-term debt	<u>1,000</u>	<u>64,244</u>	<u>-</u>
Total current liabilities	<u>1,864,300</u>	<u>66,942</u>	<u>50</u>
Noncurrent liabilities - compensated absences			
Compensated absences	127,950	-	-
Debt	<u>7,737,763</u>	<u>546,053</u>	<u>-</u>
Total noncurrent current liabilities	<u>7,865,713</u>	<u>546,053</u>	<u>-</u>
Total liabilities	<u>9,730,013</u>	<u>612,995</u>	<u>50</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax revenues levied for the subsequent year	3,189,364	270,890	80,312
Special assessment levied for the subsequent year	6,000,157	-	-
OPEB	<u>8,116</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>9,197,637</u>	<u>270,890</u>	<u>80,312</u>
NET POSITION			
Investment in capital assets	29,935,467	1,514,714	-
Restricted for public safety	6,745,561	-	-
Restricted for debt services	687,838	-	-
Restricted for public works	1,157,758	-	-
Unrestricted	<u>13,258,865</u>	<u>323,005</u>	<u>147,189</u>
Total net position	<u>\$ 51,785,489</u>	<u>\$ 1,837,719</u>	<u>\$ 147,189</u>

Charter Township of Oshtemo
STATEMENT OF ACTIVITIES
Year ended December 31, 2025

	<i>Net (expenses) revenues and changes in net position</i>					
	<i>Program revenues</i>			<i>Component units</i>		
	<i>Expenses</i>	<i>Charges for services</i>	<i>Operating grants and contributions</i>	<i>Governmental activities</i>	<i>Downtown Development Authority</i>	<i>South Drake Road Corridor Improvement Authority</i>
Functions/Programs						
Governmental activities:						
General government	\$ 2,895,959	\$ 514,902	\$ 1,176	\$ (2,379,881)		
Public safety	6,581,542	6,697,792	93,172	209,422		
Public works	2,519,800	1,169,718	236,570	(1,113,512)		
Community and economic development	521,993	42,291	-	(479,702)		
Culture and recreation	641,635	98,594	73,708	(469,333)		
Interest	55,304	17,000	-	(38,304)		
Total governmental activities	<u>13,216,233</u>	<u>8,540,297</u>	<u>404,626</u>	<u>(4,271,310)</u>		
Component units:						
Downtown Development Authority	\$ 226,760	\$ -	\$ 35,973	\$ (190,787)	\$ -	
South Drake Road Corridor Improvement Authority	45,828	-	-	-	(45,828)	
Total component units	<u>\$ 272,588</u>	<u>\$ -</u>	<u>\$ 35,973</u>	<u>\$ (190,787)</u>	<u>\$ (45,828)</u>	
			General revenues:			
			Taxes	3,113,374	209,596	71,806
			State grants	2,725,102	-	-
			Franchise fees	125,647	-	-
			Investment income	254,530	10,456	4,808
			Total general revenues	<u>6,218,653</u>	<u>220,052</u>	<u>76,614</u>
			Changes in net position	1,947,343	29,265	30,786
			Net position - beginning	<u>49,838,146</u>	<u>1,808,454</u>	<u>116,403</u>
			Net position - ending	<u>\$ 51,785,489</u>	<u>\$ 1,837,719</u>	<u>\$ 147,189</u>

See notes to financial statements

Charter Township of Oshtemo
BALANCE SHEET - governmental funds
 December 31, 2025

	General	Roads	Fire	Police	Building Inspections	General Sewer	General Water	Sewer Construction	Nonmajor funds	Total governmental funds
ASSETS										
Cash	\$ 583,577	\$ 1,398,397	\$ 4,965,570	\$ 2,547,445	\$ 839,086	\$ 791,623	\$ 2,198,351	\$ -	\$ 738,574	\$14,062,623
Investments	7,867,070	-	-	-	-	-	-	-	-	7,867,070
Restricted cash	-	-	-	-	-	-	-	-	60,400	60,400
Receivables	1,944,123	1,291,858	4,004,155	1,093,317	-	1,339,830	75,823	779,355	-	10,528,461
Prepaid	230,470	-	-	-	-	-	-	-	-	230,470
Beneficial interest in assets held by foundation	-	-	-	-	-	-	-	-	96,262	96,262
Total assets	\$10,625,240	\$ 2,690,255	\$ 8,969,725	\$ 3,640,762	\$ 839,086	\$ 2,131,453	\$ 2,274,174	\$ 779,355	\$ 895,236	\$32,845,286
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES										
Liabilities:										
Payables	\$ 510,616	\$ 16,606	\$ 101,063	\$ 412,264	\$ 9,461	\$ 52,007	\$ 1,508	\$ 558,125	\$ 27,763	\$ 1,689,413
Deferred inflows of resources:										
Property tax revenues levied for the subsequent year	1,717,154	1,472,210	-	-	-	-	-	-	-	3,189,364
Special assessment levied for the subsequent year	-	-	4,726,107	1,274,050	-	-	-	-	-	6,000,157
Unavailable special assessment revenues	-	43,681	-	-	-	1,070,068	66,721	-	-	1,180,470
Total deferred inflows of resources	1,717,154	1,515,891	4,726,107	1,274,050	-	1,070,068	66,721	-	-	10,369,991
Fund balances:										
Nonspendable - prepaid	230,470	-	-	-	-	-	-	-	-	230,470
Restricted for:										
Public safety	-	-	4,142,555	1,773,381	829,625	-	-	-	-	6,745,561
Debt services	-	-	-	-	-	-	-	-	687,838	687,838
Public works	-	1,157,758	-	-	-	-	-	-	-	1,157,758
Assigned for:										
Public safety	-	-	-	181,067	-	-	-	-	-	181,067
Public works	-	-	-	-	-	1,009,378	2,205,945	221,230	-	3,436,553
Culture and recreation	-	-	-	-	-	-	-	-	179,635	179,635
Subsequent year expenditures	2,247,723	-	-	-	-	-	-	-	-	2,247,723
Unassigned	5,919,277	-	-	-	-	-	-	-	-	5,919,277
Total fund balances	8,397,470	1,157,758	4,142,555	1,954,448	829,625	1,009,378	2,205,945	221,230	867,473	20,785,882
Total liabilities, deferred inflows of resources, and fund balances	\$10,625,240	\$ 2,690,255	\$ 8,969,725	\$ 3,640,762	\$ 839,086	\$ 2,131,453	\$ 2,274,174	\$ 779,355	\$ 895,236	\$32,845,286
Reconciliation of the balance sheet to the statement of net position:										
Total fund balance - total governmental funds										\$20,785,882
Amounts reported for <i>governmental activities</i> in the statement of net position (page 12) are different because:										
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.										37,674,230
Net OPEB assets										193,623
Deferred inflows of resources, related to the OPEB plan, relate to future years and, therefore, are not reported in the funds.										(8,116)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds -										
Compensated absences										(255,900)
Loans payable										(7,738,763)
Interest payable										(45,937)
Special assessments receivable and unavailable grant revenue are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.										1,180,470
Net position of <i>governmental activities</i>										<u>\$51,785,489</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds

Year ended December 31, 2025

	General	Roads	Fire	Police	Building Inspections	General Sewer	General Water	Sewer Construction	Nonmajor fund	Total governmental funds
REVENUES										
Taxes	\$ 2,179,305	\$ 1,410,149	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,589,454
Special assessment	-	40,711	4,591,100	1,248,496	-	79,631	5,738	-	-	5,965,676
Licenses and permits	167,488	-	-	-	516,101	-	-	-	-	683,589
State grants	2,754,077	980	-	26,672	-	-	-	-	-	2,781,729
Intergovernmental	40,000	-	66,500	-	-	-	-	-	-	106,500
Charges for services	49,597	-	-	-	-	846,352	10,001	-	17,000	922,950
Fines and forfeitures	-	-	17,875	27,912	-	-	-	-	-	45,787
Interest and rentals	254,530	51,068	157,053	90,765	27,749	137,576	76,338	3	98,594	893,676
Other	38,055	-	20,741	-	-	-	-	-	33,708	92,504
Total revenues	5,483,052	1,502,908	4,853,269	1,393,845	543,850	1,063,559	92,077	3	149,302	15,081,865
EXPENDITURES										
Current:										
General government	2,742,120	-	-	-	-	-	-	-	-	2,742,120
Public safety	-	-	3,725,296	1,870,726	446,864	-	-	-	-	6,042,886
Public works	383,493	290,289	-	-	-	336,095	66,421	-	-	1,076,298
Community and economic development	519,393	-	-	-	-	-	-	-	-	519,393
Culture and recreation	-	-	-	-	-	-	-	-	393,976	393,976
Capital outlay	309,835	651,939	768,035	680	-	1,022,403	-	9,182,698	187,797	12,123,387
Debt service										
Principle	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	9,367	9,367
Total expenditures	3,954,841	942,228	4,493,331	1,871,406	446,864	1,358,498	66,421	9,182,698	591,140	22,907,427
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,528,211	560,680	359,938	(477,561)	96,986	(294,939)	25,656	(9,182,695)	(441,838)	(7,825,562)
OTHER FINANCING SOURCES (USES)										
Loan proceeds	-	-	-	-	-	-	-	7,738,763	-	7,738,763
Transfers in	-	-	-	-	-	500,000	-	1,665,162	1,005,205	3,170,367
Transfers out	(475,000)	(500,000)	-	-	-	(2,195,367)	-	-	-	(3,170,367)
Net other financing sources (uses)	(475,000)	(500,000)	-	-	-	(1,695,367)	-	9,403,925	1,005,205	7,738,763
NET CHANGES IN FUND BALANCES	1,053,211	60,680	359,938	(477,561)	96,986	(1,990,306)	25,656	221,230	563,367	(86,799)
FUND BALANCES - BEGINNING	\$ 7,344,259	\$ 1,097,078	\$ 3,782,617	\$ 2,432,009	\$ 732,639	\$ 2,999,684	\$ 2,180,289	\$ -	\$ 304,106	\$20,872,681
FUND BALANCES - ENDING	\$ 8,397,470	\$ 1,157,758	\$ 4,142,555	\$ 1,954,448	\$ 829,625	\$ 1,009,378	\$ 2,205,945	\$ 221,230	\$ 867,473	\$20,785,882

Reconciliation of the statement of revenues, expenditures and changes in fund balances to the statement of activities:

Net change in fund balance - total governmental funds (page 15)	\$ (86,799)
Amounts reported for <i>governmental activities</i> in the statement of activities (page 13) are different because:	
Capital assets:	
Assets acquired	11,366,103
Provision for depreciation	(1,492,182)
Net book value of disposed assets	(49,063)
Long-term obligations:	
Net change in liability for compensated absences	(35,000)
Net decrease in OPEB assets	(32,238)
Increase in loans payable	(7,738,763)
Interest payable	(45,937)
Changes in deferred inflows and outflow of resources:	
Net increase in deferred inflows of resources	73,595
Net decrease in deferred outflows of resources	<u>(12,373)</u>
Change in net position of <i>governmental activities</i>	<u>\$ 1,947,343</u>

STATEMENT OF FIDUCIARY NET POSITION - *custodial funds*

December 31, 2025

	<u>Retiree Medical Trust</u>	<u>Tax</u>	<u>Custodial</u>
ASSETS			
Cash	\$ -	\$ 3,843,043	\$ 160,664
Investments	<u>223,395</u>	<u>-</u>	<u>-</u>
Total assets	223,395	3,843,043	160,664
LIABILITIES			
Due to others	<u>-</u>	<u>3,843,043</u>	<u>160,664</u>
NET POSITION			
Held in trust for retirees' health benefits	<u>\$ 223,395</u>	<u>\$ -</u>	<u>\$ -</u>
Total net position	<u><u>\$ 223,395</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - custodial funds

Year ended December 31, 2025

	<i>Retiree Medical Trust</i>	<i>Tax</i>	<i>Custodial</i>
ADDITIONS			
Property taxes collected for other governments	\$ -	\$ 43,973,528	\$ 114,851
Collection of PILT	-	-	334,318
Collection of county fees	-	-	39,017
Collection of public relations money	-	-	223,868
Investment income (loss)	30,285	-	-
Contributions	22,692	-	-
Total additions	52,977	43,973,528	712,054
DEDUCTIONS			
Property taxes distributed to other governments	-	43,973,528	114,851
Payment of county collections	-	-	39,017
Distribution of public relations money	-	-	223,868
Distributions of PILT	-	-	334,318
Other changes	85,819	-	-
Total deductions	85,819	43,973,528	712,054
NET CHANGE IN FIDUCIARY NET POSITION	(32,842)	-	-
NET POSITION - BEGINNING	256,237	-	-
NET POSITION - ENDING	\$ 223,395	\$ -	\$ -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Oshtemo, Michigan (the Township), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:

As required by generally accepted accounting principles, these financial statements present the Township (the primary government, located in Kalamazoo County) and its component units described below, for which the Township is financially accountable. Active discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government.

Discretely presented component units:

Downtown Development Authority - The Authority was established pursuant to Public Act 197 of 1975, as amended, to correct and prevent deterioration and promote economic growth within the downtown district.

South Drake Road Corridor Improvement Authority - The Authority was established pursuant to Public Act 280 of 2005, as amended, to correct and prevent deterioration and promote economic growth within the corridor business district.

Government-wide and fund financial statements:

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 Township. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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

Measurement focus, basis of accounting, and financial statement presentation:

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

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township’s primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Road Fund accounts for financial resources used for road and public works projects. Revenues are primarily derived from property taxes.

The Fire Fund accounts for financial resources used for fire protection. Revenues are primarily derived from special assessments.

The Police Fund accounts for financial resources used for police protection. Revenues are primarily derived from special assessments.

The Building Inspections Fund accounts for financial resources used for building inspection and permits. Revenues are primarily derived from permit revenue.

The Sewer Construction Fund accounts for financial resources used for sewer expansion projects. Revenues are primarily derived loan proceeds and transfers in.

The General Sewer Fund accounts for financial resources used for sewer facilities capital improvements and maintenance. Revenues are primarily derived from connection fees and special assessments.

The General Water Fund accounts for financial resources used for water facilities capital improvements and maintenance. Revenues are primarily derived from connection fees and special assessments.

The Township reports the following nonmajor governmental funds:

The Parks Fund accounts for financial resources used for recreational park facilities improvements and maintenance. Revenues are primarily derived from donations and grants.

The Debt Services Fund accounts for financial resources used for the repayment of debt. Revenues are primarily derived from transfers, connections fees and surcharges.

The Township also reports fiduciary funds, which account for assets held by the Township as an agent for individuals, private organizations, and other governments. The Township currently reports the following fiduciary fund types:

The Custodial Funds (tax and general custodial) account for the collection and disbursement of taxes and other monies due to other units of government and individuals. Custodial funds are custodial in nature (assets equal liabilities).

The Retiree Medical Trust Fund accounts for assets held to provide medical benefits to eligible retiree participants and their dependents.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, liabilities, deferred inflows of resources, and equity:

Amounts reported as program revenues include: (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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

Investments - Investments - Investments are reported at fair value, except for nonnegotiable certificates of deposit, which are reported at cost. The certificates of deposit are reported as investments, as they had an original maturity greater than three months. Changes in fair value of investments are recognized in the operating statement of the fund holding the investments.

Receivables - In general, outstanding balances between funds are reported as “due to/from other funds.” No allowance for uncollectible accounts has been recorded, as the Township considers all receivables to be fully collectible.

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.

Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of greater than \$2,000 (\$10,000 for infrastructure assets) 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 acquisition value as of the date received. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

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

Land improvements	15 - 30 years
Buildings and improvements	15 - 60 years
Equipment	3 - 7 years
Infrastructure	10 - 50 years

Deferred inflows of resources - The statement of net position and the governmental funds balance sheet include a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs. Included in this category are property taxes and special assessments revenues. Property tax revenue and special assessment, which are levied to finance the following period's budget, is deferred and recognized as an inflow of resources in the period that it was intended to finance. Special assessment revenues, which are not available (collected later than 60 days after the end of the Township's fiscal year) are deferred in the governmental funds and recognized as an inflow of resources in the period that the revenues become available.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):*Assets, liabilities, deferred inflows of resources, and equity (continued):*

Net position - Net position represents the difference between assets, and liabilities and deferred inflows of resources. The Township reports three categories of net position, as follows: (1) *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the Township's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the Township.

Net position flow assumption - Sometimes, the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide 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.

Postemployment benefits other than pensions - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Oshtemo Charter Township OPEB plan for Non-union employees and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund equity - In the fund financial statements, governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Township Board retains the authority to assign fund balances. Unassigned fund balances are the residual classification for the General Fund. When the Township incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Township's policy to use the restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

Property tax revenue recognition - Property taxes are levied each December 1 (lien date) on the taxable valuation of property as of the preceding December 31. Property taxes are considered delinquent on March 1 of the following year, at which time interest and penalties are assessed. Although the Township's 2024 ad valorem taxes were levied and collectible on December 1, 2024, it is the Township's policy to recognize revenue from that tax levy in the current year, when the proceeds are budgeted and made available for the financing of operations.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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. Accordingly, actual results could differ from those estimates.

Compensated absences - It is the Township's policy to permit employees to accumulate earned but unused PTO benefits. A liability is recorded in the government-wide statements for compensated absences that is attributable to services already rendered, accumulates, and is more likely than not to be paid for time off or otherwise paid out. The liability is measured using the pay rate expected to be used when the leave is taken or paid, including applicable salary-related payments (such as employer payroll taxes and pension). A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for general and special revenue funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

<u>Entity</u>	<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Primary government:						
General	General government	Clerk		\$ 219,011	\$ 221,580	\$ (2,569)
General	General government	General operations		1,295,799	1,301,869	(6,070)
General	Public works	Waste collection		115,500	116,314	(814)

NOTE 3 – CASH AND INVESTMENTS

Cash and investments, as presented in the accompanying financial statements, consisted of the following:

	<u>Primary government</u>			
	<u>Governmental activities</u>	<u>Component units</u>	<u>Fiduciary activities</u>	<u>Totals</u>
Cash	\$ 14,123,023	\$ 638,803	\$ 4,003,707	\$ 18,765,533
Investments	<u>7,867,070</u>	<u>-</u>	<u>223,395</u>	<u>8,090,465</u>
	<u>\$ 21,990,093</u>	<u>\$ 638,803</u>	<u>\$ 4,227,102</u>	<u>\$ 26,855,998</u>

Deposits - Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) and the Township’s investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township’s deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. The Township’s investment policy does not specifically address custodial credit risk for deposits. At December 31, 2025, \$994,259 of the Township’s bank balances of approximately \$20,706,550 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments, primary government and component unit - State statutes and the Township’s investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds composed of otherwise legal investments; and f) investment pools organized under the local government investment pool act.

<u>Investment</u>	<u>Fair value</u>	<u>Maturity</u>	<u>Rating</u>	<u>Source</u>
Certificates of deposit	1,058,740	Various		
MBIA CLASS Fund	<u>6,808,330</u>	Various	AAAm	S&P
	<u>\$ 7,867,070</u>			

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments, retiree health plan - The investments of the Township’s other postemployment benefit (OPEB) trust fund are maintained separately from the Township’s pooled cash and investments, and are subject to separate investment policies and state statutes. Accordingly, the required disclosures for the OPEB trust fund investments are presented separately.

The Michigan Public Employees Retirement Systems’ Investment Act, Public Act 314 of 1965, as amended, authorizes the other postemployment benefit trust to invest in stocks, governmental and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitation. The Township Board has the responsibility and authority to oversee the investment portfolio. The Township has contracted the Municipal Employees’ Retirement System of Michigan (MERS) to assist in managing the OPEB trust fund’s assets. The investments are held by MERS, within its Retiree Health Funding Vehicle (RHFV), an employer savings trust that allows employers to advance fund their retiree healthcare liability. As a governmental plan, MERS is exempted by state and federal law from registration with the SEC. The funds held consist of portfolios of assets, in separate accounts, in a collective trust. Specific fund holdings at December 31, 2025, consisted of the following:

<u>Investment type</u>	<u>Fair value</u>
MERS Total Market Portfolio	\$ 111,698
MERS Est Market Portfolio	<u>111,697</u>
	<u>\$ 223,395</u>

The Townships investments are subject to several types of risk, which are discussed below:

Custodial credit risk. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State statutes and the Township’s OPEB investment policy require that investment securities be held in trust by a third-party institution, in the name of the benefit trust. The RHFV fund holdings are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical form.

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in mutual funds and qualified investment pools, including those within the RHFV, are not considered to have credit risk.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributable to the magnitude of the Township’s investment in a single holding. The Township’s OPEB investment policy places no limitations on the amount that can be invested in any one issuer.

Interest rate risk. Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment’s fair value due to changes in market interest rates. The Township’s OPEB investment policy has no specific limitations with respect to maturities of investments. The RHFV holdings have no maturities.

Fair value measurement - 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; Level 3 inputs are significant unobservable inputs. The Township has the following recurring fair value measurements as of December 31, 2025:

- Municipal Employees’ Retirement System of Michigan - RHFV, with a balance of \$223,395 at December 31, 2025, which is valued using observable fair values of similar assets (Level 2).

NOTE 4 – RECEIVABLES

Receivables as of December 31, 2025, for the Township’s individual major funds and nonmajor funds, in the aggregate, were as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Accounts</u>	<u>Special assessments</u>	<u>Inter-governmental</u>	<u>Totals</u>
<i>Primary government:</i>					
<i>Governmental:</i>					
General	\$ 1,453,584	\$ 28,941	\$ -	\$ 461,598	\$ 1,944,123
Roads	1,248,177	-	43,681	-	1,291,858
Fire	-	-	4,004,155	-	4,004,155
Police	-	-	1,093,317	-	1,093,317
General Sewer	-	-	1,152,958	186,872	1,339,830
General Water	-	-	75,823	-	75,823
Sewer construction	-	-	-	779,355	779,355
Total governmental	<u>\$ 2,701,761</u>	<u>\$ 28,941</u>	<u>\$ 6,369,934</u>	<u>\$ 1,427,825</u>	<u>\$ 10,528,461</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,079,024</u>	<u>\$ -</u>	<u>\$ 1,079,024</u>
<i>Component units:</i>					
Downtown Development Authority	\$ 161,307	\$ -	\$ -	\$ -	\$ 161,307
South Drake Road Corridor Improvement Authority	24,034	-	-	-	24,034
Total component units	<u>\$ 185,341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,341</u>

All receivables are considered fully collectible.

NOTE 5 – BENEFICIAL INTEREST IN ASSETS HELD BY FOUNDATION

The amount shown as beneficial interest in assets held by foundation represents monies placed with the Kalamazoo Community Foundation (the Foundation) by the Township, specifying itself as the beneficiary. The Foundation maintains variance power and legal ownership of such funds and, as such, continues to report the funds as assets of the Foundation, with a corresponding liability, the agency endowment fund. The Township reports this asset at the present value of future payments expected to be received.

The Foundation also holds monies, placed by donors for the benefit of the Township’s parks and recreation activities, to generate investment return that, based on the Foundation’s spending guidelines, can be made available to the Township. Such monies are not considered assets of the Township. At December 31, 2025, the Foundation held \$834,899 in this account.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 587,728	\$ 107,504	\$ -	\$ 695,232
Construction in progress	<u>1,668,822</u>	<u>10,192,552</u>	<u>-</u>	<u>11,861,374</u>
Subtotal	<u>2,256,550</u>	<u>10,300,056</u>	<u>-</u>	<u>12,556,606</u>
Capital assets being depreciated:				
Buildings and improvements	9,773,956	204,394	(85,222)	9,893,128
Equipment	2,081,947	303,687	(180,281)	2,205,353
Vehicles	3,787,957	423,631	(59,118)	4,152,470
Infrastructure	<u>24,129,294</u>	<u>134,335</u>	<u>(117,749)</u>	<u>24,145,880</u>
Subtotal	<u>39,773,154</u>	<u>1,066,047</u>	<u>(442,370)</u>	<u>40,396,831</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,196,087)	(177,030)	54,325	(5,318,792)
Equipment	(1,512,485)	(157,807)	180,281	(1,490,011)
Vehicles	(1,917,473)	(285,933)	40,952	(2,162,454)
Infrastructure	<u>(5,554,287)</u>	<u>(871,412)</u>	<u>117,749</u>	<u>(6,307,950)</u>
Subtotal	<u>(14,180,332)</u>	<u>(1,492,182)</u>	<u>393,307</u>	<u>(15,279,207)</u>
Total capital assets being depreciated, net	<u>25,592,822</u>	<u>(426,135)</u>	<u>(49,063)</u>	<u>25,117,624</u>
Governmental activities capital assets, net	<u>\$ 27,849,372</u>	<u>\$ 9,873,921</u>	<u>\$ (49,063)</u>	<u>\$ 37,674,230</u>
Component unit - DDA:				
Capital assets not being depreciated:				
Land	<u>\$ 704,901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 704,901</u>
Capital assets being depreciated:				
Buildings and improvements	1,781,596	-	-	1,781,596
Less accumulated depreciation for:				
Buildings and improvements	<u>(283,023)</u>	<u>(78,463)</u>	<u>-</u>	<u>(361,486)</u>
Total capital assets being depreciated, net	<u>1,498,573</u>	<u>(78,463)</u>	<u>-</u>	<u>1,420,110</u>
Component unit capital assets, net	<u>\$ 2,203,474</u>	<u>\$ (78,463)</u>	<u>\$ -</u>	<u>\$ 2,125,011</u>

Charter Township of Oshtemo

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities functions, as follows:

General government	\$ 118,459
Public safety	467,382
Public works	567,842
Culture and recreation	<u>338,499</u>
 Total	 <u>\$ 1,492,182</u>

NOTE 7 – PAYABLES

Payables as of December 31, 2025, for the Township’s individual major funds and nonmajor funds, in the aggregate, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Accrued liabilities</u>	<u>Inter-governmental</u>	<u>Deposits</u>	<u>Totals</u>
Primary government:					
Governmental:					
General	\$ 39,974	\$ 57,251	\$ -	\$ 413,391	\$ 510,616
Roads	13,308	3,298	-	-	16,606
Fire	32,436	68,627	-	-	101,063
Police	-	4,963	407,301	-	412,264
Building inspections	2,164	7,297	-	-	9,461
General Sewer	47,924	4,083	-	-	52,007
General Water	50	1,458	-	-	1,508
Sewer construction	558,125	-	-	-	558,125
Nonmajor	<u>19,723</u>	<u>8,040</u>	<u>-</u>	<u>-</u>	<u>27,763</u>
 Total governmental	 <u>\$ 713,704</u>	 <u>\$ 155,017</u>	 <u>\$ 407,301</u>	 <u>\$ 413,391</u>	 <u>\$ 1,689,413</u>
Component unit:					
Downtown Development Authority	\$ 2,698	\$ -	\$ -	\$ -	\$ 2,698
South Drake road corridor improvement authority	<u>50</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50</u>

NOTE 8 – LONG-TERM OBLIGATION

At December 31, 2025, long-term debt is comprised of the following:

Governmental activities:

Loans payable:

2025 USDA Loan Series A, payments ranging from \$24,000 to \$389,000, including interest at 2.375%; final payment due April 2065	\$ 7,737,763
2025 USDA Loan Series B, payments ranging from \$3,000 to \$40,000, including interest at 1.375%; final payment due April 2065	<u>\$ 1,000</u>
Total loans payable	<u>7,738,763</u>
Employee compensated absences	255,900
Total long-term debt, governmental activities	<u>\$ 7,994,663</u>

Long-term obligation activity (excluding postemployment benefits other than pensions) for the year ended December 31, 2025, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Net Change</i>	<i>Ending balance</i>	<i>Due in one year</i>
Primary government:						
Direct debt						
Governmental activities:						
USDA loan 2025 series A	\$ -	\$ 7,737,763	\$ -	\$ -	\$ 7,737,763	\$ 1,000
USDA loan 2025 series B	-	<u>1,000</u>	-	-	<u>1,000</u>	-
Total loans payable	<u>-</u>	<u>7,738,763</u>	<u>-</u>	<u>-</u>	<u>7,738,763</u>	<u>1,000</u>
Compensated absences	<u>220,900</u>	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>255,900</u>	<u>127,950</u>
Total governmental	<u>220,900</u>	<u>7,738,763</u>	<u>-</u>	<u>35,000</u>	<u>7,994,663</u>	<u>128,950</u>
Component unit:						
DDA						
Installment purchase agreement	<u>671,567</u>	<u>-</u>	<u>(61,270)</u>	<u>-</u>	<u>610,297</u>	<u>64,244</u>

NOTE 8 – LONG-TERM OBLIGATION

<i>Year ended</i>	<i>Component unit</i>	
	<i>Direct debt</i>	
	<i>Principal</i>	<i>Interest</i>
<i>December 31:</i>		
2026	\$ 64,244	\$ 27,602
2027	67,363	24,483
2028	70,633	21,213
2029	74,063	17,784
2030	77,658	14,189
2031-2033	<u>256,336</u>	<u>19,204</u>
Total	<u>610,297</u>	<u>124,475</u>

<i>Year ended</i>	<i>Primary Government</i>	
	<i>Direct debt</i>	
	<i>Principal</i>	<i>Interest</i>
<i>December 31:</i>		
2026	\$ 1,000	\$ 183,748
2027	25,000	183,178
2028	30,000	182,466
2029	81,000	180,542
2030	86,000	178,499
2031-2036	514,000	857,299
2037-2041	679,000	784,791
2042-2046	880,000	690,266
2047-2051	1,125,000	568,689
2052-2056	1,421,000	414,623
2057-2061	1,704,000	222,747
2062-2065	<u>1,192,763</u>	<u>36,701</u>
	<u>7,738,763</u>	<u>4,483,549</u>

NOTE 9 – PROPERTY TAXES

The 2024 taxable valuation of the Township approximated \$1,128,471,000, on which ad valorem taxes levied, consisted of 1.5000 mills for operating purposes and 1.2500 for road improvements, raising approximately \$1,659,000 for operating and \$1,407,000 for road improvements. This amount is recognized in the General Fund financial statements as property tax revenue.

The 2025 taxable valuation of the Township approximated \$1,181,882,000, on which ad valorem taxes levied, consisted of 1.5000 mills for operating purposes and 1.2500 for road improvements, raising approximately \$1,717,000 for operating and \$1,472,000 for road improvements. These amounts are recognized in the General Fund and Road Fund financial statements as deferred inflows, based upon the period for which the proceeds are budgeted and will be made available for the financing of operations.

NOTE 10 – DEFINED CONTRIBUTION AND MONEY PURCHASE PLAN

The Township and its employees contribute to the Township of Oshtemo Group Pension Plan, a defined contribution pension plan, which is administered by a third-party administrator. The plan covers three classes of employees, as allowed under Internal Revenue Code Section 401(a). The first class of employees includes paid on-call firefighters, the second class of employees includes all full-time or part-time employees, and the third class of employees includes elected officials.

Benefit terms, including contribution requirements, for the Plan are established, and may be amended, by the Township Board. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate as described above. The Township contributes 10% of covered payroll to the first class of qualifying employees. The Township contributes 4% of covered payroll to the second and third classes of qualifying employees. Employees are permitted to make contributions to the Plan, up to applicable Internal Revenue Code limits, and the Township also matches voluntary contributions made by officials, full-time employees, and permanent part-time employees, up to a limit of 4%. For the year ended December 31, 2025, the Township made the required and matching contribution of \$406,985 and eligible employees made contributions of \$378,708. At December 31, 2025, the Township reported no accrued liability as part of the contributions to the plan.

The Township’s contributions for each paid on-call firefighter (and investment earnings allocated to the employee’s account) are fully vested immediately, while contributions for participating full-time or part-time employees and officials are fully vested after two years of continuous service.

The Township is not a trustee of the defined contribution pension plan, nor is the Township responsible for investment management of the pension plan assets. Accordingly, plan assets, and changes therein, are not reported in these financial statements.

NOTE 11 - DEFINED CONTRIBUTION POSTEMPLOYMENT HEALTHCARE SAVINGS PLAN

The Township established a non-contributory defined contribution plan (Retiree Health Care Defined Contribution Plan) in 2013 through which it provides retiree health insurance benefits to its employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Eligible current employees began participating on the date the plan started and were given credit for each year employed by the Township since 2000 (up to 12 years), the date retiree healthcare benefits were initially provided by the Township. The plan covers all full-time employees. The plan is administered by MERS.

NOTE 12 - DEFINED BENEFIT POSTEMPLOYMENT HEALTHCARE PLAN

Plan description:

Oshtemo Charter Township OPEB Plan is a single employer plan established and administered by Oshtemo Charter Township and can be amended at its discretion.

Benefits provided:

Benefit eligibility - Participation limited to four current retirees

Benefit - Reimbursement of premiums for retiree and spouse, for the life of the retiree, up to an annual reimbursement cap, determined annually. \$4,500 for 2025 and 2024.

Retiree contributions - Balance of premium in excess of the employer contribution

NOTE 12 – DEFINED BENEFIT POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

Balance of premium in excess of the employer contribution:

As of December 31, 2025, Plan membership consisted of the following:

Retirees and beneficiaries	1
Active participants	-
	<hr/>
Total participants	<u>1</u>

Contributions:

The Oshtemo Charter Township OPEB Plan was established and is being funded under the authority of the Township. The plan's funding policy is that the employer will not make future contributions. Currently, benefit payments are made from general operating funds. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves.

Actuarial Assumptions:

The total OPEB liability was determined by an actuarial valuation as of December 31, 2025, rolled forward to the measurement date. The following actuarial assumptions were used in the measurement:

Inflation	2.50%
Investment rate of return	6.93% (including inflation)
20-year Aa Municipal bond rate	4.43%
Mortality	Public General Healthy Retiree, Headcount weighted
Improvement Scale	IRS 2024 Adjusted Scale MP-2021

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2025, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	60.00%	4.50%
Global fixed income	20.00%	2.16%
Private assets	20.00%	6.50%

The sum of each target allocation times its long-term expected real rate is 6.93%.

Discount rate:

The discount rate used to measure the total OPEB liability was 6.93%. The projection of cash flows used to determine the discount rate assumed that no further contributions will be made. Based on those assumptions, the retirement plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. The discount rate used for December 31, 2025, was 6.93%.

NOTE 12 – DEFINED BENEFIT POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

Changes in the net OPEB liability:

	<i>Increase (decrease)</i>		
	<i>Total OPEB liability</i>	<i>Plan fiduciary net position</i>	<i>Net OPEB liability (asset)</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balances at December 31, 2024	\$ 30,376	\$ 256,237	\$ (225,861)
Changes for the year:			
Interest	1,949	-	1,949
Experience (Gains)/Losses	2,386	-	2,386
Change in plan terms	-	-	-
Change in assumptions	(439)	-	(439)
Contributions - from operating fund	-	27,192	(27,192)
Net investment income	-	30,711	(30,711)
Benefit payments			
Benefit payments; including refunds of Employee Contributions	(4,500)	(4,500)	-
Administrative expenses	-	(463)	463
Other changes	-	(85,782)	85,782
Net changes	(604)	(32,842)	32,238
Balances at December 31, 2025	\$ 29,772	\$ 223,395	\$ (193,623)

Sensitivity of the net OPEB liability to changes in the discount rate:

The following schedule presents the net OPEB liability of the Township, calculated using the discount rates 1% higher and lower than the current rate:

	<i>1% decrease</i>	<i>Current rate</i>	<i>1% increase</i>
Net OPEB liability (asset)	\$ (192,336)	\$ (193,623)	\$ (194,806)

OPEB expense, deferred outflows of resources, and deferred inflows of resources related to OPEB Plan:

Components of Township’s OPEB Expense for the Fiscal Year Ending December 31, 2025.

NOTE 12 – DEFINED BENEFIT POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

Below are the components of the Total OPEB Expense:

	<i>Fiscal Year</i>	
	<u>Ending 12/31/2025</u>	
Interest on Total OPEB Liability	\$	1,949
Experience (Gains)/Losses		2,386
Change in assumptions		(439)
Projected earnings on OPEB plan investments		(13,771)
Investments earnings (gains)/losses		3,549
Administrative expenses		463
Other changes in fiduciary net position		<u>85,782</u>
	<u>\$</u>	<u>79,919</u>

OPEB Plan Fiduciary Net Position:

The OPEB Plan Fiduciary Net Position as of December 31, 2025 is \$223,395.

Deferred Inflows and Outflows of Resources Related to OPEB Plan:

	<i>Deferred Inflows</i>	
	<u>of Resources</u>	
Investment earnings (gains)/losses	\$	<u>8,116</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year Ended</i>	<i>Amount</i>
<u>December 31,</u>	<u>Recognized</u>
2026	\$ 7,836
2027	(8,106)
2028	(4,458)
2029	<u>(3,388)</u>
	<u>\$ (8,116)</u>

NOTE 12 – DEFINED BENEFIT POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

Reconciliation of Net OPEB Liability (Asset):

	<u>Net OPEB Liability (Asset)</u>
Net OPEB Liability December 31, 2024	\$ (225,861)
Total OPEB expense	79,919
Contributions	(27,192)
Change in deferred outflows of resources	(12,373)
Change in deferred inflows of resources	<u>(8,116)</u>
 Net OPEB Liability (Asset) December 31, 2025	 <u>\$ (193,623)</u>

Net OPEB liability by participant status:

	<u>Total OPEB Liability</u>
Retirees and beneficiaries	<u>\$ 29,772</u>
 Total	 <u>\$ 29,772</u>

NOTE 13 – INTERFUND BALANCES AND TRANSFERS

A summary of interfund transfers for the year ended December 31, 2025, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Nonmajor	\$ 325,000		
General Sewer	<u>150,000</u>		
	475,000	General	\$ 475,000
Sewer construction	1,515,162		
Nonmajor	<u>680,205</u>		
	<u>2,195,367</u>	General Sewer	2,195,367
General Sewer	<u>500,000</u>	Roads	<u>500,000</u>
 Total	 <u>\$ 3,170,367</u>	 Total	 <u>\$ 3,170,367</u>

The transfers from the General Fund to the nonmajor fund represents transfers to cover project costs and improvements. The transfers to the sewer construction and nonmajor fund (debt services) are to cover costs of the sewer expansion project. The road fund transfers \$500,000 annually to the sewer fund for road portions of the sewer projects.

NOTE 14 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability, property and casualty, and workers' compensation are managed through purchased commercial insurance. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 15 – CONTINGENCIES

The Township has been named in various litigation and claims during the year. Management and the Township's legal advisors do not believe that any known circumstances or ongoing claims will result in significant financial losses for the Township.

The Township has indicated there is potential to continue expansion of water service to additional township residents due to the previously closed KL Landfill. The Landfill has been capped and per prior judgments, outside entities have been named to be responsible for any clean-up related to the Landfill. However, the Township could have continued expenses in the future to install water service to its residents that are not already connected to the Township water lines. As of the date of the audit, expansion discussions are ongoing and likely, and actual costs cannot be estimated but could significantly impact the Township.

NOTE 16 – UPCOMING ACCOUNTING PRONOUNCEMENT

The Governmental Accounting Standards Board (GASB) issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2025. This statement is effective for fiscal years ending June 30, 2026, and after. This statement 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; and budgetary comparison information.

NOTE 17 – SUBSEQUENT EVENTS

Subsequent to year-end, the Township initiated the process to issue additional debt to finance a planned expansion of the sanitary sewer system. In April, the Township Board approved proceeding with the design, engineering, and financing steps necessary for the project. The Township anticipates issuing approximately \$20,000,000 in USDA loans during the fiscal year ending December 31, 2026.

The proceeds of the planned issuance will be used to expand sewer capacity. As of the date of these financial statements, the debt had not yet been issued.

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2025

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes				
Property taxes	\$ 1,690,000	\$ 1,690,000	\$ 1,659,315	\$ (30,685)
Property tax admin fees	513,000	513,000	476,080	(36,920)
Other	4,625	4,625	43,910	39,285
Total property taxes	<u>2,207,625</u>	<u>2,207,625</u>	<u>2,179,305</u>	<u>(28,320)</u>
Licenses and permits				
Cable fees	135,000	135,000	125,647	(9,353)
Other	50,500	50,500	41,841	(8,659)
Total licenses and permits	<u>185,500</u>	<u>185,500</u>	<u>167,488</u>	<u>(18,012)</u>
State grants				
State shared revenue	2,673,400	2,673,400	2,725,102	51,702
Metro act	25,000	25,000	28,975	3,975
Total state grants	<u>2,698,400</u>	<u>2,698,400</u>	<u>2,754,077</u>	<u>55,677</u>
Intergovernmental	-	-	40,000	40,000
Charges for services				
Cemetery services	48,000	48,000	46,160	(1,840)
Other	3,025	3,025	3,437	412
Total charges for services	<u>51,025</u>	<u>51,025</u>	<u>49,597</u>	<u>(1,428)</u>
Interest	130,000	130,000	254,530	124,530
Other				
Reimbursements	45,000	145,000	17,586	(127,414)
Other	-	-	20,469	20,469
Total other	<u>45,000</u>	<u>145,000</u>	<u>38,055</u>	<u>(106,945)</u>
Total revenues	<u>5,317,550</u>	<u>5,417,550</u>	<u>5,483,052</u>	<u>65,502</u>

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended December 31, 2025

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
EXPENDITURES				
General government:				
Legislative	\$ 35,000	\$ 38,500	\$ 35,197	\$ 3,303
Supervisor	495,534	366,371	332,962	33,409
Elections	59,100	66,575	48,059	18,516
Assessor	308,400	312,342	250,177	62,165
Clerk	216,000	219,011	221,580	(2,569)
Treasurer	157,100	158,850	156,472	2,378
Professional services	112,000	168,110	127,626	40,484
Data processing	317,400	305,680	268,178	37,502
General operations	1,201,440	1,295,799	1,301,869	(6,070)
Total general government	<u>2,901,974</u>	<u>2,931,238</u>	<u>2,742,120</u>	<u>189,118</u>
Public works:				
Cemetery	124,700	124,700	118,690	6,010
Other	187,500	175,083	148,489	26,594
Waste collection	88,500	115,500	116,314	(814)
Total public works	<u>400,700</u>	<u>415,283</u>	<u>383,493</u>	<u>31,790</u>
Community and economic development - planning and zoning				
	<u>661,000</u>	<u>674,563</u>	<u>519,393</u>	<u>155,170</u>
Capital outlay				
	<u>2,320,030</u>	<u>644,030</u>	<u>309,835</u>	<u>334,195</u>
Total expenditures	<u>6,283,704</u>	<u>4,665,114</u>	<u>3,954,841</u>	<u>710,273</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(966,154)</u>	<u>752,436</u>	<u>1,528,211</u>	<u>775,775</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(405,000)</u>	<u>(505,000)</u>	<u>(475,000)</u>	<u>30,000</u>
NET CHANGES IN FUND BALANCES				
	<u>(1,371,154)</u>	<u>247,436</u>	<u>1,053,211</u>	<u>805,775</u>
FUND BALANCES - BEGINNING				
	<u>7,344,259</u>	<u>7,344,259</u>	<u>7,344,259</u>	<u>-</u>
FUND BALANCES - ENDING				
	<u>\$ 5,973,105</u>	<u>\$ 7,591,695</u>	<u>\$ 8,397,470</u>	<u>\$ 805,775</u>

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - Fire Fund

Year ended December 31, 2025

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Special assessments	\$ 4,570,000	\$ 4,570,000	\$ 4,591,100	\$ 21,100
State grants	-	-	-	-
Fines and forfeitures - false alarms	18,000	18,000	17,875	(125)
Intergovernmental	-	66,500	66,500	-
Interest	64,000	64,000	157,053	93,053
Miscellaneous	19,000	96,000	20,741	(75,259)
Total revenues	<u>4,671,000</u>	<u>4,814,500</u>	<u>4,853,269</u>	<u>38,769</u>
EXPENDITURES				
Public safety	3,827,088	4,182,175	3,725,296	456,879
Capital outlay	692,845	953,845	768,035	185,810
Total expenditures	<u>4,519,933</u>	<u>5,136,020</u>	<u>4,493,331</u>	<u>642,689</u>
NET CHANGES IN FUND BALANCES	151,067	(321,520)	359,938	681,458
FUND BALANCES - BEGINNING	<u>3,782,617</u>	<u>3,782,617</u>	<u>3,782,617</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 3,933,684</u>	<u>\$ 3,461,097</u>	<u>\$ 4,142,555</u>	<u>\$ 681,458</u>

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - Police Fund

Year ended December 31, 2025

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Special assessments	\$ 1,250,000	\$ 1,250,000	\$ 1,248,496	\$ (1,504)
State grants - liquor license	30,000	30,000	26,672	(3,328)
Fines and forfeitures	13,000	13,000	27,912	14,912
Interest and rentals	55,000	55,000	90,765	35,765
Total revenues	<u>1,348,000</u>	<u>1,348,000</u>	<u>1,393,845</u>	<u>45,845</u>
EXPENDITURES				
Public safety	1,701,150	1,970,343	1,870,726	99,617
Capital outlay	2,500	2,500	680	1,820
Total expenditures	<u>1,703,650</u>	<u>1,972,843</u>	<u>1,871,406</u>	<u>101,437</u>
NET CHANGES IN FUND BALANCES	(355,650)	(624,843)	(477,561)	147,282
FUND BALANCES - BEGINNING	<u>2,432,009</u>	<u>2,432,009</u>	<u>2,432,009</u>	-
FUND BALANCES - ENDING	<u>\$ 2,076,359</u>	<u>\$ 1,807,166</u>	<u>\$ 1,954,448</u>	<u>\$ 147,282</u>

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - Road Fund

Year ended December 31, 2025

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Taxes	\$ 1,415,000	\$ 1,415,000	\$ 1,410,149	\$ (4,851)
Special assessments	-	-	40,711	40,711
State grants	-	-	980	980
Interest and rentals	<u>20,000</u>	<u>20,000</u>	<u>51,068</u>	<u>31,068</u>
Total revenues	<u>1,435,000</u>	<u>1,435,000</u>	<u>1,502,908</u>	<u>67,908</u>
EXPENDITURES				
Public works - roads				
Roads	340,500	215,309	127,434	87,875
Street lights	<u>150,000</u>	<u>175,000</u>	<u>162,855</u>	<u>12,145</u>
Total public work	<u>490,500</u>	<u>390,309</u>	<u>290,289</u>	<u>100,020</u>
Capital outlay	<u>915,000</u>	<u>898,914</u>	<u>651,939</u>	<u>246,975</u>
Total expenditures	<u>1,405,500</u>	<u>1,289,223</u>	<u>942,228</u>	<u>346,995</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	29,500	145,777	560,680	414,903
OTHER FINANCING SOURCES (USES)				
Operating transfers out - Sewer capital	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(470,500)	(354,223)	60,680	414,903
FUND BALANCES - BEGINNING	<u>1,097,078</u>	<u>1,097,078</u>	<u>1,097,078</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 626,578</u>	<u>\$ 742,855</u>	<u>\$ 1,157,758</u>	<u>\$ 414,903</u>

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - Building Inspections Fund

Year ended December 31, 2025

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Licenses and permits				
Permits	\$ 195,600	\$ 195,600	\$ 364,635	\$ 169,035
Inspections	102,000	102,000	151,466	49,466
Total licenses and permits	<u>297,600</u>	<u>297,600</u>	<u>516,101</u>	<u>218,501</u>
Interest and rentals	<u>3,500</u>	<u>3,500</u>	<u>27,749</u>	<u>24,249</u>
Total revenues	<u>301,100</u>	<u>301,100</u>	<u>543,850</u>	<u>242,750</u>
EXPENDITURES				
Public safety:				
Inspections	<u>408,585</u>	<u>489,241</u>	<u>446,864</u>	<u>42,377</u>
NET CHANGES IN FUND BALANCES	(107,485)	(188,141)	96,986	285,127
FUND BALANCES - BEGINNING	<u>732,639</u>	<u>732,639</u>	<u>732,639</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 625,154</u>	<u>\$ 544,498</u>	<u>\$ 829,625</u>	<u>\$ 285,127</u>

Charter Township of Oshtemo

SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET OPEB LIABILITY AND RELATED RATIOS

Year ended December 31, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB asset (liability):								
Interest	\$ 1,949	\$ 2,155	\$ 7,092	\$ 7,581	\$ 9,985	\$ 10,035	\$ 14,312	\$ 15,489
Changes in benefits	-	-	8,626	-	-	-	-	-
Difference between expected and actual experience	2,386	(157)	(71,666)	(6,928)	(13,959)	(6,385)	(63,968)	(6,724)
Changes in plan terms	-	-	-	-	(27,054)	-	-	-
Changes in assumptions	(439)	(169)	(10,080)	2,033	(2,826)	(1,860)	6,589	(493)
Benefit payments, including refunds	<u>(4,500)</u>	<u>(4,500)</u>	<u>(4,500)</u>	<u>(4,500)</u>	<u>(5,582)</u>	<u>(7,772)</u>	<u>(8,160)</u>	<u>(12,198)</u>
Net change in total OPEB asset (liability)	(604)	(2,671)	(70,528)	(1,814)	(39,436)	(5,982)	(51,227)	(3,926)
Total OPEB asset (liability), beginning of year	<u>30,376</u>	<u>33,047</u>	<u>103,575</u>	<u>105,389</u>	<u>144,825</u>	<u>150,807</u>	<u>202,034</u>	<u>205,960</u>
Total OPEB asset (liability), end of year	<u>\$ 29,772</u>	<u>\$ 30,376</u>	<u>\$ 33,047</u>	<u>\$ 103,575</u>	<u>\$ 105,389</u>	<u>\$ 144,825</u>	<u>\$ 150,807</u>	<u>\$ 202,034</u>
Plan fiduciary net position:								
Contributions - employer								
Employee	\$ 27,192	\$ 4,500	\$ 4,500	\$ 4,500	\$ 13,123	\$ 6,301	\$ 8,160	\$ 12,198
Employer	-	-	-	-	-	7,772	-	-
Net investment income (loss)	30,711	27,242	44,612	(46,738)	49,288	42,746	48,236	(14,732)
Benefit payments, including refunds	(4,500)	(4,500)	(4,500)	(4,500)	(5,582)	(7,772)	(8,160)	(12,198)
Administrative expenses	(463)	(713)	(827)	(738)	(767)	(620)	(581)	(761)
Other	<u>(85,782)</u>	<u>(166,971)</u>	<u>(48,457)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	(32,842)	(140,442)	(4,672)	(47,476)	56,062	48,427	47,655	(15,493)
Plan fiduciary net position, beginning of year	<u>256,237</u>	<u>396,679</u>	<u>401,351</u>	<u>448,827</u>	<u>392,765</u>	<u>344,338</u>	<u>296,683</u>	<u>312,176</u>
Plan fiduciary net position, end of year	<u>\$ 223,395</u>	<u>\$ 256,237</u>	<u>\$ 396,679</u>	<u>\$ 401,351</u>	<u>\$ 448,827</u>	<u>\$ 392,765</u>	<u>\$ 344,338</u>	<u>\$ 296,683</u>
Township's net OPEB liability (asset), end of year	<u>\$ (193,623)</u>	<u>\$ (225,861)</u>	<u>\$ (363,632)</u>	<u>\$ (297,776)</u>	<u>\$ (343,438)</u>	<u>\$ (247,940)</u>	<u>\$ (193,531)</u>	<u>\$ (94,649)</u>
Plan fiduciary net position as a percent of total OPEB liability	750.35%	843.55%	1200.35%	387.50%	425.88%	271.20%	228.33%	146.85%
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Township's net OPEB liability as a percentage of covered payroll	NA	NA	NA	NA	NA	NA	NA	NA

Note: This schedule is being built prospectively after the implementation of GASB 75 in 2018.

Ultimately, ten years of data will be presented.

Charter Township of Oshtemo

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended December 31, 2025

Actuarially Recommended Contribution (ARC)	Fiscal Year Ending December 31,								
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Normal costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization of unfunded liability	(30,242)	(32,323)	(48,386)	(42,715)	(46,290)	(30,939)	(22,602)	(11,250)	(11,698)
Interest cost	(2,096)	(2,240)	(3,387)	(2,990)	(3,420)	(2,175)	(1,544)	(813)	(906)
Actuarial determined employer contribution	(32,338)	(34,563)	(51,773)	(45,705)	(49,710)	(33,114)	(24,146)	(12,063)	(12,604)
Employer contributions (benefit payment)	TBD	TBD	TBD	TBD	TBD	TBD	TBD	(8,160)	(12,198)
Contribution deficiency/(excess)	TBD	TBD	TBD	TBD	TBD	TBD	TBD	3,903	(24,802)
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution as a percentage of covered payroll	NA	NA	NA	NA	NA	NA	NA	NA	NA

SUPPLEMENTARY INFORMATION

Charter Township of Oshtemo

COMBINING BALANCE SHEET - nonmajor governmental funds

December 31, 2025

	<u>Special revenue</u>	<u>Debt service</u>	
	<u>Parks</u>	<u>USDA Debt</u>	<u>Totals</u>
ASSETS			
Cash	\$ 111,136	\$ 627,438	\$ 738,574
Restricted cash	-	60,400	60,400
Beneficial interest in assets held by foundation	96,262	-	96,262
	<u>96,262</u>	<u>-</u>	<u>96,262</u>
Total assets	<u>\$ 207,398</u>	<u>\$ 687,838</u>	<u>\$ 895,236</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities - payables	\$ 27,763	\$ -	\$ 27,763
	<u>27,763</u>	<u>-</u>	<u>27,763</u>
Fund balances:			
Restricted for debt service	-	687,838	687,838
Assigned for recreation and culture	179,635	-	179,635
	<u>179,635</u>	<u>-</u>	<u>179,635</u>
Total fund balances	<u>179,635</u>	<u>687,838</u>	<u>867,473</u>
Total deferred inflows of resources and fund balances	<u>\$ 207,398</u>	<u>\$ 687,838</u>	<u>\$ 895,236</u>

Charter Township of Oshtemo

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - nonmajor governmental funds**

Year ended December 31, 2025

	<u>Special revenue</u>	<u>Debt service</u>	
	<u>Parks</u>	<u>USDA Debt</u>	<u>Totals</u>
REVENUES			
Charges for services	\$ -	\$ 17,000	\$ 17,000
Interest and rentals	98,594	-	98,594
Other	33,708	-	33,708
Total revenues	<u>132,302</u>	<u>17,000</u>	<u>149,302</u>
EXPENDITURES			
Current:			
Recreation and culture	393,976	-	393,976
Debt services:			
Principle	-	-	-
Interest	-	9,367	9,367
Capital outlay	187,797	-	187,797
Total expenditures	<u>581,773</u>	<u>9,367</u>	<u>591,140</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(449,471)	7,633	(441,838)
OTHER FINANCING SOURCES			
Transfers in	325,000	680,205	1,005,205
NET CHANGES IN FUND BALANCES	(124,471)	687,838	563,367
FUND BALANCES - BEGINNING	<u>304,106</u>	<u>-</u>	<u>304,106</u>
FUND BALANCES - ENDING	<u>\$ 179,635</u>	<u>\$ 687,838</u>	<u>\$ 867,473</u>

Charter Township of Oshtemo

BALANCE SHEET - component units

December 31, 2025

	<u>Downtown Development Authority</u>	<u>South Drake Road Corridor Improvement Authority</u>
ASSETS		
Cash	\$ 435,286	\$ 203,517
Receivables	<u>161,307</u>	<u>24,034</u>
Total assets	<u>\$ 596,593</u>	<u>\$ 227,551</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities - payables	\$ 2,698	\$ 50
Deferred inflows of resources - property tax revenues levied for the subsequent year	270,890	80,312
Fund balance - unassigned	<u>323,005</u>	<u>147,189</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 596,593</u>	<u>\$ 227,551</u>
Reconciliation of the balance sheet to the statement of net position:		
Total fund balances - <i>component units</i>	\$ 323,005	\$ 147,189
Amounts reported for the <i>component units</i> in the statement of net position (page 12) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,125,011	-
Long term debt used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>(610,297)</u>	<u>-</u>
Net position of <i>component units</i>	<u>\$ 1,837,719</u>	<u>\$ 147,189</u>

Charter Township of Oshtemo

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - component units

Year ended December 31, 2025

	<u>Downtown Development Authority</u>	<u>South Drake Road Corridor Improvement Authority</u>
REVENUES		
Property taxes	\$ 209,596	\$ 71,806
Interest	10,456	4,808
Other	<u>35,973</u>	<u>-</u>
Total revenues	<u>256,025</u>	<u>76,614</u>
EXPENDITURES		
Current - public works	31,201	5,828
Debt service:		
Principle	61,270	-
Interest	30,577	-
Capital outlay	<u>86,519</u>	<u>40,000</u>
Total expenditures	<u>209,567</u>	<u>45,828</u>
NET CHANGES IN FUND BALANCES	46,458	30,786
FUND BALANCES - BEGINNING	<u>276,547</u>	<u>116,403</u>
FUND BALANCES - ENDING	<u>\$ 323,005</u>	<u>\$ 147,189</u>
Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:		
Net changes in fund balances - <i>component units</i>	\$ 46,458	\$ 30,786
Amounts reported for the <i>component units</i> in the statement of activities (page 13) are different because:		
Capital assets:		
Depreciation provision	(78,463)	-
Decrease in long-term debt	<u>61,270</u>	<u>-</u>
Changes in net position of <i>component units</i>	<u>\$ 29,265</u>	<u>\$ 30,786</u>

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority - component unit

Year ended December 31, 2025

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 236,000	\$ 236,000	\$ 209,596	\$ (26,404)
Interest	3,000	3,000	10,456	7,456
Other	-	-	35,973	35,973
Total revenues	<u>239,000</u>	<u>239,000</u>	<u>256,025</u>	<u>17,025</u>
EXPENDITURES				
Public works	97,370	96,888	31,201	65,687
Debt service:				
Principle	71,270	71,270	61,270	10,000
Interest	30,577	30,577	30,577	-
Capital outlay	<u>150,000</u>	<u>175,000</u>	<u>86,519</u>	<u>88,481</u>
Total expenditures	<u>349,217</u>	<u>373,735</u>	<u>209,567</u>	<u>164,168</u>
NET CHANGES IN FUND BALANCES	(110,217)	(134,735)	46,458	181,193
FUND BALANCES - BEGINNING	<u>276,547</u>	<u>276,547</u>	<u>276,547</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 166,330</u>	<u>\$ 141,812</u>	<u>\$ 323,005</u>	<u>\$ 181,193</u>

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - South Drake Road Corridor Improvement Authority - component unit

Year ended December 31, 2025

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 71,336	\$ 71,336	\$ 71,806	\$ 470
Interest	<u>2,000</u>	<u>2,000</u>	<u>4,808</u>	<u>2,808</u>
Total revenues	<u>73,336</u>	<u>73,336</u>	<u>76,614</u>	<u>3,278</u>
EXPENDITURES				
Public works	12,570	12,587	5,828	6,759
Capital outlay	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Total expenditures	<u>52,570</u>	<u>52,587</u>	<u>45,828</u>	<u>6,759</u>
NET CHANGES IN FUND BALANCES	20,766	20,749	30,786	10,037
FUND BALANCES - BEGINNING	<u>116,403</u>	<u>116,403</u>	<u>116,403</u>	<u>-</u>
FUND BALANCES - ENDING	<u><u>\$ 137,169</u></u>	<u><u>\$ 137,152</u></u>	<u><u>\$ 147,189</u></u>	<u><u>\$ 10,037</u></u>

SINGLE AUDIT SCHEDULES AND REPORTS

**Charter Township of Oshtemo
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025**

Federal Grantor / Pass Through Grantor / Program Title	Federal Assistance Listing Number	Pass- Through Entity Project Number	Federal Expenditures
U.S. Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities	10.760		<u>7,738,763</u>
Total Expenditures of Federal Awards			<u><u>\$ 7,738,763</u></u>

See Accompanying Notes to Financial Statements.

**Charter Township of Oshtemo
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025**

NOTE A – Basis of Presentation

The accompany Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Charter Township of Oshtemo (the Township) under programs of the federal government for the year ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Township, it is not intended to and does not present the net position or changes in fund balances of the Township.

NOTE B – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The Township has elected not to use the 10 percent *de minimis* indirect cost rate allowed under the Uniform Guidance. The Township rather uses an indirect cost rate as approved by the applicable federal grantor.

NOTE C – U.S. Department of Agriculture and Rural Development Loan Program

The Township has received a U.S. Department of Agriculture and Rural Development loan guarantee. The loan draw proceeds provided during the year are included in the federal expenditures presented in the Schedule. The balance outstanding on the loan at December 31, 2025, consisted of:

<u>ALN Number</u>	<u>Program Name</u>	<u>Balance</u>
10.760	Water and Waste Disposal Systems for Rural Communities	\$ 7,738,763

SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

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

To the Members of the Board
Charter Township of Oshtemo, Kalamazoo County, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Oshtemo, 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 Oshtemo's basic financial statements, and have issued our report thereon dated June 15, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Seber Tans, PLLC

Seber Tans, PLC
Kalamazoo, Michigan

June 15, 2026

SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Members of the Board
Charter Township of Oshtemo, Kalamazoo County, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Charter Township of Oshtemo's (the Township) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Township's major federal programs for the year ended December 31, 2025. The Township's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Township complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Township and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Township's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Township's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Township's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Township's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Township's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Township's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

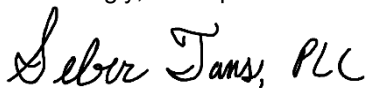
Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Seber Tans, PLC
Kalamazoo, Michigan
June 15, 2026

**Charter Township of Oshtemo
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2025**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? No

Significant deficiency identified that is not considered to be a material weakness? No

Noncompliance material to financial statements noted? No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:

Material weakness identified? No

Significant deficiency identified that is not considered to be a material weakness? No

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR Section 500.516(a)? No

Major programs:

<u>ALN Number</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs: \$1,000,000

Auditee qualified as low-risk auditee? No

**Charter Township of Oshtemo
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended December 31, 2025**

PRIOR YEAR FINANCIAL STATEMENT AND FEDERAL AWARD FINDINGS

Audit Finding	Current Status
Not applicable, no single audit was required in the prior year	Not applicable