

Charter Township of Clinton Macomb County, Michigan

**Financial Report
with Supplemental Information
March 31, 2007**

Charter Township of Clinton

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Charter Township of Clinton

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Clinton
Macomb County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Clinton as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Clinton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Clinton as of March 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison schedules, and pension system schedule of funding progress and employer contributions (as identified in the table of contents) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.



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To the Board of Trustees
Charter Township of Clinton
Macomb County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Clinton's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2007 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

August 24, 2007

Charter Township of Clinton

Management's Discussion and Analysis

Introduction

This discussion and analysis is included with the Charter Township of Clinton's financial report to provide an overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

Overview of this Annual Report

The basic financial statements that follow consist of two series of financial statements and a section entitled notes to financial statements. The notes section is to be read in conjunction with and is an integral part of each financial statement included within both series.

The first and shorter of this series provides information about the activities of the Charter Township of Clinton on a government-wide basis. The statements in this series consist of a statement of net assets and a statement of activities. This entire series is presented on pages 11-13. These statements are presented on a full accrual basis which is designed to present a longer-term view of the Township's finances. Unlike the more traditional fund-based financial statements, all activities reflected in these statements reflect the Township's investment in capital assets net of depreciation as an asset, noncurrent liabilities as liabilities, and the current period's depreciation as an expenditure. The second of these two series is presented on pages 14-25. This series consists of the more traditional fund-based financial statements. It is grouped by governmental funds, proprietary funds, fiduciary funds, and component units. These statements illustrate how the services provided by the Township were financed in the short term. Additionally, these fund financial statements report the Township's operations in more detail than the government-wide financial statements.

Government-wide Financial Statements

In a condensed format, the following table shows the comparison of net assets (in thousands) as of March 31, 2007 and 2006:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current Assets	\$ 51,269.1	\$ 38,232.7	\$ 25,181.3	\$ 22,495.0	\$ 76,450.4	\$ 60,727.7
Noncurrent Assets						
Restricted assets	10,797.2	657.3	1,531.3	1,238.3	12,328.5	1,895.6
Special assessments	-	-	1,694.1	1,013.7	1,694.1	1,013.7
Capital assets	39,734.3	35,914.2	118,870.9	114,972.0	158,605.2	150,886.2
Total assets	101,800.6	74,804.2	147,277.6	139,719.0	249,078.2	214,523.2
Liabilities						
Current liabilities	11,752.2	4,906.8	4,574.8	4,320.5	16,327.0	9,227.3
Long-term liabilities	35,495.3	23,371.5	27,978.6	23,989.4	63,473.9	47,360.9
Total liabilities	47,247.5	28,278.3	32,553.4	28,309.9	79,800.9	56,588.2

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Net Assets						
Invested in capital assets - Net of related debt	\$ 16,419.6	\$ 14,789.8	\$ 91,580.3	\$ 91,329.9	\$ 107,999.9	\$ 106,119.7
Restricted	38,133.5	24,253.7	1,810.5	1,573.2	39,944.0	25,826.9
Unrestricted	-	7,482.4	21,333.4	18,506.0	21,333.4	25,988.4
Total net assets	<u>\$ 54,553.1</u>	<u>\$ 46,525.9</u>	<u>\$ 114,724.2</u>	<u>\$ 111,409.1</u>	<u>\$ 169,277.3</u>	<u>\$ 157,935.0</u>

Total net assets related to the Township's governmental activities increased by approximately \$8,027,000. The unrestricted portion of net assets decreased by approximately \$7,482,000 and the restricted portion increased by approximately \$15,510,000. The increase resulted primarily from two events: An additional 1.5 voted operational millage on the December 2006 tax bills generated an additional \$4,661,000 for police operations and the 41-B Court Building Capital Projects Fund has \$9,700,000 remaining from a \$13,500,000 general obligation bond issue for construction of a new court building.

The following table shows the changes in net assets (in thousands of dollars) during the years ended March 31, 2007 and 2006:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue						
Program revenue:						
Charges for services	\$ 4,621.2	\$ 6,499.2	\$ 27,057.3	\$ 27,365.7	\$ 31,678.5	\$ 33,864.9
Operating grants and contributions	2,378.3	1,759.6	-	2.1	2,378.3	1,761.7
Capital grants and contributions	34.5	50.0	-	-	34.5	50.0
General revenue:						
Property taxes	37,451.2	31,157.9	-	-	37,451.2	31,157.9
State-shared revenue	7,899.0	8,031.1	-	-	7,899.0	8,031.1
Interest	1,518.5	724.7	1,069.2	840.9	2,587.7	1,565.6
Miscellaneous	1,210.6	-	158.6	-	1,369.2	-
Income from joint ventures	-	1,220.6	-	-	-	1,220.6
Total revenue	55,113.3	49,443.1	28,285.1	28,208.7	83,398.4	77,651.8

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program Expenses						
General government	\$ 5,187.2	\$ 5,400.1	\$ -	\$ -	\$ 5,187.2	\$ 5,400.1
Public safety	32,900.9	31,887.8	-	-	32,900.9	31,887.8
Public works	4,406.5	4,660.2	-	-	4,406.5	4,660.2
Recreation and culture	2,071.6	1,805.6	-	-	2,071.6	1,805.6
41- B District Court	1,644.9	2,222.5	-	-	1,644.9	2,222.5
Interest on long-term debt	1,352.6	1,004.9	-	-	1,352.6	1,004.9
Water and sewer	-	-	19,275.2	16,632.6	19,275.2	16,632.6
Senior housing	-	-	1,432.2	1,411.4	1,432.2	1,411.4
Sanitation	-	-	3,747.7	3,942.2	3,747.7	3,942.2
Special assessments	-	-	37.3	274.2	37.3	274.2
Total program expenses	47,563.7	46,981.1	24,492.4	22,260.4	72,056.1	69,241.5
Change in Net Assets - Before transfers	7,549.6	2,462.0	3,792.7	5,948.3	11,342.3	8,410.3
Transfers	477.6	282.9	(477.6)	(282.9)	-	-
Change in Net Assets	8,027.2	2,744.9	3,315.1	5,665.4	11,342.3	8,410.3
Net Assets - Beginning of year	46,525.9	43,781.0	111,409.1	105,743.7	157,935.0	149,524.7
Net Assets - End of year	<u>\$ 54,553.1</u>	<u>\$ 46,525.9</u>	<u>\$ 114,724.2</u>	<u>\$ 111,409.1</u>	<u>\$ 169,277.3</u>	<u>\$ 157,935.0</u>

State-shared revenue, our second largest source of general government revenues, continued to be reduced by the State of Michigan. The amount received from the State during the 2007 fiscal year was approximately \$2,300,000 less than the Township received in the 2002 fiscal year. The Township reacted by leaving vacant the positions cut from previous budgets and keeping non-personnel related expenditures to a minimum. The continued sluggishness of the State's economy continues to directly impact revenue-sharing payments. The Township realizes that there are no guarantees that further revenue-sharing cuts will not be made as the State continues to struggle with its own budget difficulties.

Governmental activities include those activities accounted for in the following funds:

General Fund	Fire Fund
Capital Improvement Revolving Fund	Police Fund
Community Development Block Fund	Drainage Fund
Drug Forfeiture Fund	Postemployment Benefit Fund
Building Authority	Street Lighting Fund
Fire Facility Capital Projects Fund	Police Facility Debt Service Fund
41-B District Court Capital Projects	41-B District Court Debt Service Fund

Such activities include those of the Township's police and fire departments, public works, recreation, building, planning, assessing, and administrative departments.

Property taxes are the primary source of revenue for the governmental activities, providing approximately 68 percent of the total. State-shared revenue provides another 14 percent, user charges and grants provide 13 percent, leaving just 5 percent being provided by all other sources.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Until the 2002-2003 fiscal year, the Township's governmental activities enjoyed decades of financial prosperity with annual revenues normally exceeding expenditures. Subsequently, the Township was affected by a national economic downturn and State of Michigan budget shortfalls that exceeded \$1 billion. The Township continues to be affected by a state economy that has failed to recover from the downturn and the inability of the State of Michigan to improve its budget shortfalls. For more information on how these economic factors are expected to affect the Township, see the section entitled Economic Factors and Future Budgets.

Specific details of how these economic conditions affected specific Township funds can be found in the fund-based financial statements section, which follows.

Business-type activities are accounted for in the Township's Water and Sewer, Sanitation, Senior Housing, and Special Assessment Funds.

The Township's Water and Sewer Fund's financial performance has been sound for decades. The Township purchases 99 percent of its water from the City of Detroit and sewage treatment services are also provided by the City of Detroit through an operating agreement with the County of Macomb. The Township has adopted the policy of annually reviewing its water and sewer rates and passing along cost increases, including increases received from Detroit, to its customers. Despite this policy, the Township maintains water and sewer rates that are very competitive with neighboring communities. The system has enjoyed steady growth, ongoing and aggressive maintenance, and sound coverage of its debt.

Highlights related to other business-type activity funds can be found in the fund-based financial statements section, which follows.

Fund-based Financial Statements

The fund-based financial statements provide detailed information about individual significant funds created by the Township to help segregate money for specific purposes as well as to show accountability for certain activities. While the government-wide financial statements attempt to give the reader a simple overview of the Township's finances, to achieve a more complete understanding it is necessary to consider matters such as tax assessments or fund balances that are restricted, either by law or policy, to certain activities or funds. Users of this financial report will best achieve this understanding from the fund-based statements.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Financial and Budgetary Highlights

General Fund - When preparing the 2007 budget and over the course of the year, the Township Board and administration continued to look for areas to trim expenditures. The originally adopted 2007 budget was balanced by removing seven positions in the General Fund which were vacant through attrition. A subsidy of \$2,276,413 was made to the Police Fund to allow that fund to secure an adequate fund balance. A subsidy in the coming years will not be necessary due to the 1.5 operating millage that was approved by the voters in August 2006. The newly vacant positions and careful spending resulted in a favorable budget variance at year end of approximately \$450,000. The Township Board and administration realize the importance of keeping the fund balance in conformity with sound financial principles, especially given the state of the economy, and have passed the fiscal year 2008 budget with approximately \$300,000 being added to fund balance.

Beginning July 1, 2006, the Township entered into an agreement with the City of Mount Clemens and Harrison Township for the management, operation, and establishment of a common fund for the 41-B District Court. Since July 1, 2006, Court operations are reflected in this common fund, which is not included in these financial statements. Each local community's common fund, building equity, and related bond debt shall be equal to the percentage of the number of case filings generated by that local community during the applicable period. Currently, Clinton Township's share is 54 percent. On August 1, 2006, \$13,500,000 of Township General Obligation Limited Tax Capital Improvement Bonds were issued for the construction of a new court building which will be located in Clinton Township. It is intended that debt service obligations for these bonds will be paid by the Court from its revenues.

Due to the joint operating agreement, the 2007 General Fund financial statements include only three months of activity (April-June 2006) related to the 41-B District Court. Also reflected in these statements are two new funds which were established during the year: the Court Building Capital Projects Fund to account for the construction of the new court building, and the Court Building Debt Service Fund to account for the debt service for the \$13,500,000 general obligation bonds.

Police Fund - In August 2006, the voters approved a 20-year, 1.5 operating mill for the operation and maintenance of the police department. This mill is subject to both the Truth in Taxation and Headlee rollbacks. As was previously stated, this mill generated an additional \$4,661,000 in the Police Fund. This additional revenue, along with the \$2,276,413 subsidy from the General Fund, resulted in a favorable budget variance at year end of \$5,301,891. This variance was necessary in order to bring the Police Fund balance in conformity with sound financial principles, and to fund nine months of operations prior to the January 1, 2008 tax levy date.

The Police Fund is currently being supported by a 5-mill special assessment levy and the additional 1.5 mill operating levy. The additional revenues will allow the police department to maintain a staffing level of 110 sworn personnel.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Fire Fund - The Fire Fund is supported by a 4-mill special assessment operating levy and a voter approved 1-mill levy. This mill was approved for a 20-year period and was first levied on January 1, 2003. This mill is subject to both the Truth in Taxation and Headlee rollbacks. As a result of those rollbacks, the January 1, 2007 levy was reduced to .8914.

The Fire Fund ended the 2007 fiscal year with a favorable budget variance of approximately \$500,000. As with the Police Fund, this was necessary in order to bring the Fire Fund balance in conformity with sound financial principles, and to fund nine months of operations prior to the January 1, 2008 tax levy date.

The fire department has undertaken projects to expand to a fifth station and to rebuild the oldest station, Station 1. To fund these projects, the Township issued \$8,500,000 of general obligation bonds. The proceeds from these bonds were placed in the Fire Facility Capital Projects Fund, for use in paying the related construction and equipment costs. Station 1 was completed during the 2007 fiscal year, and renovations are taking place on Stations 2 and 3.

Senior Housing Fund - The Senior Housing Fund accounts for the operation of Heritage Estates, a 312-unit apartment complex. The Township has contracted with an outside management company to act as a leasing agent and oversee daily operations, including an activity center for use by tenants.

The apartment complex is designed primarily for independent, middle-income seniors. The complex includes 186 one-bedroom and 126 two-bedroom apartments with monthly rents currently set at \$450 and \$530, respectively.

Operations of this complex are not subsidized from any other Township sources.

Sanitation Fund - The Sanitation Fund accounts for the collection and disposal of trash, recyclables, and compost materials. Except for the billing of customers, virtually all sanitation activity is completed by outside contractors. Although all residential commercial and industrial customers have the option of opting out of the municipal system, this option has generally not been taken by residential customers but has been increasingly used by business customers.

Currently, single-family sanitation customers pay \$10.50 per month. Residential customers pay approximately 75 percent of total rubbish charges collected. The rates Clinton Township charges have not been adjusted since February 1, 2001.

Although the Sanitation Fund had an operating loss of \$76,458 during the fiscal year, the value of the Township's equity in the Grosse Pointes Clinton Authority, a joint venture between Clinton Township, Grosse Pointe City, Grosse Pointe Farms, Grosse Pointe Park, Grosse Pointe Shores, Grosse Pointe Woods, Harper Woods, and Mount Clemens, increased by \$31,075. These items, as well as interest income of \$38,477, resulted in a decrease of \$6,906 in net assets of the Sanitation Fund.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

The Township's investment in capital assets devoted to its governmental activities increased by approximately \$3,753,500 during the fiscal year. This increase resulted from the Court building construction charges, Fire Stations 2 and 3 renovation charges, senior citizens building addition and renovation charges, equipment purchased with federal grants, and other miscellaneous additions.

During the year, the Township had three additional bond issuances. Included in the long-term debt for governmental activities are the 41-B District Court General Obligation Bonds, which were issued for the construction and furnishing of the new court building previously discussed. Included in the long-term debt for business-type activities are Water Supply and Sewage Disposal System Revenue Bonds for acquiring and constructing additions, extensions and improvements to the Township's Water Supply and Sewage Disposal System, and Special Assessment Limited Tax Bonds for the purpose of defraying the cost of public improvements in certain Special Assessment Districts in the Township.

As of March 31, 2007, the Township had approximately \$158,510,000, net of accumulated depreciation, invested in a broad range of capital assets including buildings, vehicles, equipment, and water and sewer lines.

Economic Factors and Future Budgets

As indicated earlier, property taxes and state revenue-sharing comprise 82 percent of Clinton Township's governmental activity revenue. During recent years, governmental activities have struggled to keep a balanced budget since revenues, lead by property taxes and state-shared revenues, could not keep pace with increases in expenditures such as health care, utilities, and gasoline.

The additional 1.5 mills approved by our voters in August for the police department resulted in an additional \$4,661,000 collected on the 2006 winter tax bills. This was a major factor in balancing the 2007 budget and will help balance budgets in future years. As stated above, state-shared revenue continues to be cut by the State as it continues to struggle with its own budget. Subsequently, the Township does not include any increases in state-shared revenues when preparing its three-year projections.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

The Township continues to operate with relatively low personnel costs. The General and Police Funds employ 17 less employees than they did in 2003 due to an efficient labor force. New labor contracts have been negotiated with health care savings. The Township has been studying different options to reduce health care and retiree health care costs in the future and is considering additional options for more savings in future contract negotiations. The Township's pension systems contain funding ratios of 88 percent for MERS pension system and 98.5 percent for the Fire and Police Pension system. The Township now contributes 15 percent of payroll to fund retiree health care costs, of which approximately 1/2 is for future retiree medical costs. Based on a recently completed postretirement health insurance cost, accrued liabilities are approximately 18 percent funded. The Township continues to investigate potential new revenue opportunities and will continue to monitor and adjust expenditures to the revenue base in order to ensure adequate fund balance reserves.

The Township purchases water and sewage disposal services from the City of Detroit. Historically, the Township has passed Detroit water and sewer rate increases to its customers and expects to continue doing so. The Township prides itself on having one of the lowest combined water and sewer rates of its surrounding communities. The Township continues to work to ensure that Clinton Township retains the lowest rates in the area.

Charter Township of Clinton

Statement of Net Assets March 31, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 37,904,363	\$ 21,101,639	\$ 59,006,002	\$ 467,048
Receivables:				
Customers	42,773	3,339,379	3,382,152	-
Taxes - Net of reserve for uncollectible taxes	2,989,969	-	2,989,969	-
Interest	183,485	-	183,485	-
Special assessments - Current	-	79,210	79,210	-
Other	612,902	53,520	666,422	-
Due from other governmental units	8,153,974	179,863	8,333,837	-
Internal balances (Note 4)	528,127	(528,127)	-	-
Investment in joint venture (Note 13)	-	675,671	675,671	-
Inventories	-	243,225	243,225	-
Prepaid costs and other	853,493	36,901	890,394	-
Restricted assets (Note 6)	10,797,223	1,531,300	12,328,523	-
Special assessments - Net of current portion	-	1,694,136	1,694,136	-
Capital assets:				
Not depreciated (Note 3)	3,311,611	5,260,227	8,571,838	-
Depreciated - Net (Note 3)	36,422,648	113,610,658	150,033,306	-
Total assets	101,800,568	147,277,602	249,078,170	467,048
Liabilities				
Vouchers payable	2,101,807	1,603,695	3,705,502	700
Accrued and other liabilities	2,840,515	485,241	3,325,756	-
Deferred revenue	4,270,363	-	4,270,363	-
Refundable bonds and deposits	-	462,599	462,599	-
Noncurrent liabilities (Note 5):				
Due within one year	2,539,435	2,023,328	4,562,763	-
Due in more than one year	35,495,344	27,978,576	63,473,920	-
Total liabilities	47,247,464	32,553,439	79,800,903	700
Net Assets				
Invested in capital assets - Net of related debt	16,419,568	91,580,324	107,999,892	-
Restricted:				
Fire department services	13,014,537	-	13,014,537	-
Police department services	14,196,207	-	14,196,207	-
Street light services	570,393	-	570,393	-
Drug forfeiture activities	391,128	-	391,128	-
Construction	9,680,554	-	9,680,554	-
Debt service	280,717	279,154	559,871	-
Bond covenants (Note 6)	-	1,531,300	1,531,300	-
Unrestricted	-	21,333,385	21,333,385	466,348
Total net assets	\$ 54,553,104	\$ 114,724,163	\$ 169,277,267	\$ 466,348

Charter Township of Clinton

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 5,187,238	\$ 1,481,794	\$ 2,112,844	\$ -
Public safety	32,900,884	784,911	265,479	34,454
Public works	4,406,502	923,144	-	-
Recreation and senior activities	2,071,585	446,970	-	-
41-B District Court	1,644,878	984,424	-	-
Interest on long-term debt	1,352,628	-	-	-
Total governmental activities	47,563,715	4,621,243	2,378,323	34,454
Business-type activities:				
Water and sewer	19,275,231	20,587,931	-	-
Senior housing	1,432,178	1,840,013	-	-
Sanitation	3,747,636	3,671,178	-	-
Special assessments	37,296	958,133	-	-
Total business-type activities	24,492,341	27,057,255	-	-
Total primary government	<u>\$ 72,056,056</u>	<u>\$ 31,678,498</u>	<u>\$ 2,378,323</u>	<u>\$ 34,454</u>
Component units:				
Economic Development Corporation	\$ 4,594	\$ -	\$ -	\$ -
Downtown Development Authority	4,720	-	-	-
Total component units	<u>\$ 9,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
 Property taxes
 State-shared revenues
 Interest and investment earnings
 Miscellaneous
 Transfers

Total general revenues

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

Statement of Activities
Year Ended March 31, 2007

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (1,592,600)	\$ -	\$ (1,592,600)	\$ -
(31,816,040)	-	(31,816,040)	-
(3,483,358)	-	(3,483,358)	-
(1,624,615)	-	(1,624,615)	-
(660,454)	-	(660,454)	-
<u>(1,352,628)</u>	<u>-</u>	<u>(1,352,628)</u>	<u>-</u>
(40,529,695)	-	(40,529,695)	-
-	1,312,700	1,312,700	-
-	407,835	407,835	-
-	(76,458)	(76,458)	-
<u>-</u>	<u>920,837</u>	<u>920,837</u>	<u>-</u>
-	2,564,914	2,564,914	-
(40,529,695)	2,564,914	(37,964,781)	-
-	-	-	(4,594)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,720)</u>
-	-	-	(9,314)
37,451,184	-	37,451,184	153,164
7,899,040	-	7,899,040	-
1,518,412	1,069,159	2,587,571	17,553
1,210,644	158,575	1,369,219	2,000
<u>477,598</u>	<u>(477,598)</u>	<u>-</u>	<u>-</u>
<u>48,556,878</u>	<u>750,136</u>	<u>49,307,014</u>	<u>172,717</u>
8,027,183	3,315,050	11,342,233	163,403
<u>46,525,921</u>	<u>111,409,113</u>	<u>157,935,034</u>	<u>302,945</u>
<u>\$ 54,553,104</u>	<u>\$ 114,724,163</u>	<u>\$ 169,277,267</u>	<u>\$ 466,348</u>

Charter Township of Clinton

Governmental Funds Balance Sheet March 31, 2007

	Major Special Revenue Funds			Major Debt	Major Capital	Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Fire Fund	Police Fund	Service Fund	Project Fund		
				Court Building Debt Service Fund	Court Building Capital Project Fund		
Assets							
Cash and investments (Note 2)	\$ 5,755,022	\$ 12,228,698	\$ 14,364,431	\$ -	\$ -	\$ 5,556,212	\$ 37,904,363
Receivables:							
Taxes	393,434	1,083,546	1,439,899	-	-	73,090	2,989,969
Customers	-	-	-	-	-	42,773	42,773
Interest	183,485	-	-	-	-	-	183,485
Other	188,808	-	174,497	-	-	249,597	612,902
Restricted assets (Note 6)	-	-	-	-	10,797,223	-	10,797,223
Due from other funds (Note 4)	593,633	-	-	-	300	86,414	680,347
Due from other governmental units	1,788,404	-	-	6,187,300	-	178,270	8,153,974
Prepaid costs and other	219,420	91,524	132,997	-	-	170,542	614,483
Total assets	\$ 9,122,206	\$ 13,403,768	\$ 16,111,824	\$ 6,187,300	\$ 10,797,523	\$ 6,356,898	\$ 61,979,519
Liabilities and Fund Balances							
Liabilities							
Vouchers payable	\$ 348,710	\$ 226,987	\$ 207,292	\$ -	\$ 1,116,969	\$ 201,849	\$ 2,101,807
Accrued and other liabilities	345,128	162,244	1,084,840	-	-	1,500	1,593,712
Due to other funds (Note 4)	71,727	-	-	300	-	80,193	152,220
Deferred revenue	584,829	-	40,753	6,187,000	-	-	6,812,582
Total liabilities	1,350,394	389,231	1,332,885	6,187,300	1,116,969	283,542	10,660,321
Fund Balances							
Reserved for prepaid costs	117,870	91,524	132,997	-	-	170,542	512,933
Unreserved:							
Designated, reported in:							
General Fund (Note 9)	3,809,500	-	-	-	-	-	3,809,500
Special Revenue Funds (Note 9)	-	12,923,013	14,645,942	-	9,680,554	429,870	37,679,379
Debt Service Funds (Note 9)	-	-	-	-	-	64,338	64,338
Undesignated, reported in:							
General Fund	3,844,442	-	-	-	-	-	3,844,442
Special Revenue Funds	-	-	-	-	-	5,150,178	5,150,178
Debt Service Funds	-	-	-	-	-	258,428	258,428
Total fund balances	7,771,812	13,014,537	14,778,939	-	9,680,554	6,073,356	51,319,198
Total liabilities and fund balances	\$ 9,122,206	\$ 13,403,768	\$ 16,111,824	\$ 6,187,300	\$ 10,797,523	\$ 6,356,898	\$ 61,979,519

Charter Township of Clinton

Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets Year Ended March 31, 2007

Fund Balances - Total Governmental Funds	\$ 51,319,198
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	37,874,117
Infrastructure assets used in governmental activities are not financial resources and are not reported in the funds	1,860,142
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures	2,542,219
Accrued workers' compensation liability not reported in the governmental funds	(1,185,043)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:	
Notes and bonds payable	(34,111,914)
Compensated absences	(3,922,865)
Debt issuance cost are treated as an expenditure in the current period and are not reported in the governmental funds	239,010
Accrued interest payable is not included as a liability in the governmental funds	<u>(61,760)</u>
Net Assets of Governmental Activities	<u>\$ 54,553,104</u>

Charter Township of Clinton

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2007

	Major Special Revenue Funds			Major Debt	Major Capital	Other Governmental Funds	Total Governmental Funds
	General Fund	Fire Fund	Police Fund	Court Building	Project Fund		
				Debt Service	Court Building		
Revenue							
Property taxes	\$ 2,387,574	\$ 14,510,162	\$ 19,338,641	\$ -	\$ -	\$ 1,358,128	\$ 37,594,505
Licenses and permits	1,291,391	-	57,886	-	-	-	1,349,277
Special assessments	-	-	-	-	-	50,185	50,185
Federal sources	986,986	-	61,845	-	-	731,758	1,780,589
State sources	8,013,398	-	238,088	-	-	-	8,251,486
Interest	430,445	375,251	-	-	401,567	267,537	1,474,800
Fines and forfeitures	714,928	-	-	-	-	-	714,928
Other revenue	2,496,591	14,209	752,410	440,800	-	264,812	3,968,822
Total revenue	16,321,313	14,899,622	20,448,870	440,800	401,567	2,672,420	55,184,592
Expenditures							
Current:							
General government	5,327,028	-	-	-	-	1,024,489	6,351,517
Public safety	1,442,164	13,753,107	17,548,392	-	-	1,039,655	33,783,318
Public works	3,907,032	-	-	-	-	686,651	4,593,683
Recreation and senior activities	2,067,261	-	-	-	-	-	2,067,261
District Court	533,546	-	-	-	3,972,044	-	4,505,590
Debt service:							
Principal	-	225,000	-	50,000	-	894,705	1,169,705
Interest	-	312,688	-	390,800	248,969	644,623	1,597,080
Total expenditures	13,277,031	14,290,795	17,548,392	440,800	4,221,013	4,290,123	54,068,154
Excess of Revenue Over (Under) Expenditures	3,044,282	608,827	2,900,478	-	(3,819,446)	(1,617,703)	1,116,438
Other Financing Sources (Uses)							
Proceeds from issuance of bonds	-	-	-	-	13,500,000	-	13,500,000
Transfers in (Note 4)	-	-	2,276,413	-	-	445,828	2,722,241
Transfers out (Note 4)	(2,596,431)	(111,123)	-	-	-	-	(2,707,554)
Total other financing sources (uses)	(2,596,431)	(111,123)	2,276,413	-	13,500,000	445,828	13,514,687
Net Change in Fund Balances	447,851	497,704	5,176,891	-	9,680,554	(1,171,875)	14,631,125
Fund Balances - Beginning of year	7,323,961	12,516,833	9,602,048	-	-	7,245,231	36,688,073
Fund Balances - End of year	\$ 7,771,812	\$ 13,014,537	\$ 14,778,939	\$ -	\$ 9,680,554	\$ 6,073,356	\$ 51,319,198

Charter Township of Clinton

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 14,631,125
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	\$ (2,288,369)
Capital outlay	<u>5,770,986</u>
	3,482,617
Revenue reported in the statement of activities related to the court building activity that does not provide current financial resources is not reported as revenue in governmental funds	1,962,421
Losses recognized on the sale of capital assets, arising from differences between sales proceeds and book value of assets are not recorded in governmental funds	(125,446)
Infrastructure assets constructed by Special Assessment Enterprise Fund and transferred to governmental activities	462,911
Bond proceeds are other financing sources in the governmental funds, but not in the statement of activities	(13,500,000)
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds	10,543
Interest expense is recorded in the statement of activities when incurred; it is not reported in the governmental funds until paid	244,452
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,169,705
Increase in accumulated workers' compensation is recorded when earned in the statement of activities	(259,116)
Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	<u>(52,029)</u>
Change in Net Assets of Governmental Activities	<u>\$ 8,027,183</u>

Charter Township of Clinton

Proprietary Funds Statement of Net Assets March 31, 2007

	Major Funds				Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	
Assets					
Current assets:					
Cash and cash equivalents (Note 2)	\$ 18,633,682	\$ 703,014	\$ 677,816	\$ 1,087,127	\$ 21,101,639
Receivables:					
Customers	2,667,961	-	671,418	-	3,339,379
Special assessments	-	-	-	79,210	79,210
Other	53,520	-	-	-	53,520
Investment in joint venture (Note 12)	-	-	675,671	-	675,671
Due from other funds (Note 4)	-	-	40,737	1,000	41,737
Due from other governmental units	179,863	-	-	-	179,863
Inventories	243,225	-	-	-	243,225
Prepaid costs	36,901	-	-	-	36,901
Total current assets	<u>21,815,152</u>	<u>703,014</u>	<u>2,065,642</u>	<u>1,167,337</u>	<u>25,751,145</u>
Noncurrent assets:					
Restricted assets (Notes 2 and 6)	1,531,300	-	-	-	1,531,300
Special assessments - Net of current portion	-	-	-	1,694,136	1,694,136
Capital assets - Net (Note 3)	<u>107,279,029</u>	<u>11,551,062</u>	<u>40,794</u>	<u>-</u>	<u>118,870,885</u>
Total noncurrent assets	<u>108,810,329</u>	<u>11,551,062</u>	<u>40,794</u>	<u>1,694,136</u>	<u>122,096,321</u>
Total assets	<u>130,625,481</u>	<u>12,254,076</u>	<u>2,106,436</u>	<u>2,861,473</u>	<u>147,847,466</u>
Liabilities					
Current liabilities:					
Vouchers payable	1,220,889	-	318,774	64,032	1,603,695
Accrued and other liabilities	264,919	200,439	-	19,883	485,241
Due to other funds (Note 4)	546,460	-	-	23,404	569,864
Current portion of long-term debt (Note 5)	<u>970,903</u>	<u>582,425</u>	<u>-</u>	<u>470,000</u>	<u>2,023,328</u>
Total current liabilities	<u>3,003,171</u>	<u>782,864</u>	<u>318,774</u>	<u>577,319</u>	<u>4,682,128</u>
Noncurrent liabilities:					
Refundable bonds and deposits	318,099	144,500	-	-	462,599
Long-term debt - Net of current portion (Note 5)	<u>17,092,911</u>	<u>8,880,665</u>	<u>-</u>	<u>2,005,000</u>	<u>27,978,576</u>
Total noncurrent liabilities	<u>17,411,010</u>	<u>9,025,165</u>	<u>-</u>	<u>2,005,000</u>	<u>28,441,175</u>
Total liabilities	<u>20,414,181</u>	<u>9,808,029</u>	<u>318,774</u>	<u>2,582,319</u>	<u>33,123,303</u>
Net Assets					
Investment in capital assets - Net of related debt	89,451,558	2,087,972	40,794	-	91,580,324
Restricted for:					
Bond covenants (Note 6)	1,531,300	-	-	-	1,531,300
Debt service	-	-	-	279,154	279,154
Unrestricted	<u>19,228,442</u>	<u>358,075</u>	<u>1,746,868</u>	<u>-</u>	<u>21,333,385</u>
Total net assets	<u>\$ 110,211,300</u>	<u>\$ 2,446,047</u>	<u>\$ 1,787,662</u>	<u>\$ 279,154</u>	<u>\$ 114,724,163</u>

Charter Township of Clinton

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2007

	Major Funds				Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	
Operating Revenue					
Charges for sales and services	\$ 19,955,708	\$ -	\$ 3,669,708	\$ 958,133	\$ 24,583,549
Rent	-	1,804,344	-	-	1,804,344
Other	632,222	35,669	1,470	-	669,361
Total operating revenue	20,587,930	1,840,013	3,671,178	958,133	27,057,254
Operating Expenses					
Cost of water and sewage disposal	11,442,526	-	-	-	11,442,526
Operation and maintenance	1,062,462	628,914	3,747,636	-	5,439,012
General and administrative	2,056,324	-	-	-	2,056,324
Salaries and fringe benefits	4,351,494	-	-	-	4,351,494
Depreciation	3,262,619	302,944	-	-	3,565,563
Total operating expenses	22,175,425	931,858	3,747,636	-	26,854,919
Operating Income (Loss)	(1,587,495)	908,155	(76,458)	958,133	202,335
Nonoperating Revenue (Expenses)					
Debt, capital charges, and tap fees	683,312	-	-	-	683,312
Investment income	882,433	21,618	38,477	126,630	1,069,158
Income from joint ventures	-	-	31,075	-	31,075
Proceeds from sale of asset	127,500	-	-	-	127,500
Interest expense	(565,867)	(500,320)	-	(149,690)	(1,215,877)
Total nonoperating revenue (expenses)	1,127,378	(478,702)	69,552	(23,060)	695,168
Income (Loss) - Before contributions and transfers	(460,117)	429,453	(6,906)	935,073	897,503
Contributions from Developers and Other Funds	3,409,346	-	-	(514,201)	2,895,145
Other Financing Sources (Uses)					
Transfers in from other funds (Note 4)	-	-	-	1,000	1,000
Transfers out to other funds (Note 4)	(1,000)	-	-	(14,687)	(15,687)
Transfers to governmental activities - Infrastructure assets (Note 4)	-	-	-	(462,911)	(462,911)
Total other financing sources (uses)	(1,000)	-	-	(476,598)	(477,598)
Increase (Decrease) in Net Assets	2,948,229	429,453	(6,906)	(55,726)	3,315,050
Net Assets - Beginning of year	107,263,071	2,016,594	1,794,568	334,880	111,409,113
Net Assets - End of year	<u>\$ 110,211,300</u>	<u>\$ 2,446,047</u>	<u>\$ 1,787,662</u>	<u>\$ 279,154</u>	<u>\$ 114,724,163</u>

Charter Township of Clinton

Proprietary Funds Statement of Cash Flows Year Ended March 31, 2007

	Major Funds				
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	Total Enterprise Funds
Cash Flows from Operating Activities					
Receipts from customers	\$ 19,955,708	\$ 1,804,344	\$ 2,998,290	\$ 958,133	\$ 25,716,475
Payments to suppliers	(10,221,637)	(606,559)	(2,979,822)	(425,758)	(14,233,776)
Payments to employees and benefit providers	(8,893,970)	-	-	-	(8,893,970)
Net cash provided by operating activities	840,101	1,197,785	18,468	532,375	2,588,729
Cash Flows from Noncapital Financing Activities					
Funds advanced from other governmental units	63,803	-	-	-	63,803
Transfer out	(1,000)	-	-	(477,598)	(478,598)
Transfer in	-	-	-	1,000	1,000
Net cash provided by (used in) noncapital financing activities	62,803	-	-	(476,598)	(413,795)
Cash Flows from Capital and Related Financing Activities					
Collection of debt, capital charges, and tap fees	683,312	-	-	-	683,312
Contributions from developers and other funds	-	-	-	(514,201)	(514,201)
Proceeds from sale of assets	127,500	-	-	-	127,500
Proceeds from issuance of bonds	5,030,702	-	-	955,000	5,985,702
Principal, interest, and other costs paid on long-term debt	(1,290,867)	(1,557,309)	-	(639,691)	(3,487,867)
Purchase of capital assets	(3,617,676)	-	(40,794)	-	(3,658,470)
Net cash provided by (used in) capital and related financing activities	932,971	(1,557,309)	(40,794)	(198,892)	(864,024)
Cash Flows from Investing Activities					
Interest received on investments	882,433	21,618	38,477	126,630	1,069,158
Purchase of investment securities	(59,940,178)	-	-	-	(59,940,178)
Proceeds from sale and maturities of investment securities	57,940,178	-	-	-	57,940,178
Net cash provided by (used in) investing activities	(1,117,567)	21,618	38,477	126,630	(930,842)
Net Increase (Decrease) in Cash and Cash Equivalents	718,308	(337,906)	16,151	(16,485)	380,068
Cash and Cash Equivalents - Beginning of year	15,590,674	1,040,920	661,665	1,103,612	18,396,871
Cash and Cash Equivalents - End of year	<u>\$ 16,308,982</u>	<u>\$ 703,014</u>	<u>\$ 677,816</u>	<u>\$ 1,087,127</u>	<u>\$ 18,776,939</u>
Balance Sheet Classification of Cash and Cash Equivalents					
Cash and investments per balance sheet	\$ 18,633,682	\$ 703,014	\$ 677,816	\$ 1,087,127	\$ 21,101,639
Restricted cash and cash investments	1,531,300	-	-	-	1,531,300
Less investments with original maturities in excess of three months	(3,856,000)	-	-	-	(3,856,000)
Total cash and cash equivalents	<u>\$ 16,308,982</u>	<u>\$ 703,014</u>	<u>\$ 677,816</u>	<u>\$ 1,087,127</u>	<u>\$ 18,776,939</u>
Cash Flows from Operating Activities					
Operating income (loss)	\$ (1,587,495)	\$ 908,155	\$ (76,458)	\$ 958,133	\$ 202,335
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	3,262,619	302,944	-	-	3,565,563
Changes in assets and liabilities:					
Accounts receivable	(204,299)	-	(21,905)	(511,944)	(738,148)
Prepaid and other assets	34,667	-	-	-	34,667
Inventory	(83,313)	-	-	-	(83,313)
Accounts payable	72,367	-	39,944	30,515	142,826
Due to/from other funds	(624,878)	-	76,887	22,404	(525,587)
Accrued and other liabilities	(29,567)	(13,314)	-	33,267	(9,614)
Net cash provided by operating activities	<u>\$ 840,101</u>	<u>\$ 1,197,785</u>	<u>\$ 18,468</u>	<u>\$ 532,375</u>	<u>\$ 2,588,729</u>
Significant Noncash Investing and Financing Transactions -					
Contribution of capital assets from developers and other funds	<u>\$ 3,409,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,409,346</u>

Charter Township of Clinton

Fiduciary Funds Statement of Net Assets March 31, 2007

	Pension and Other Employee Benefit Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 3,180,378	\$ 1,126,603
Common stock	57,503,543	-
U.S. Treasury notes	890,731	-
U.S. government agency securities	7,286,992	-
Corporate bonds	9,955,496	-
Money market funds	3,437,221	-
Bank investment pools	983,639	-
Mutual funds	27,750,556	-
	<u>110,988,556</u>	<u>1,126,603</u>
Cash and investments held as collateral for securities lending	7,474,893	-
Prepaid expenses and other	254,197	-
	<u>7,729,090</u>	<u> </u>
Total assets	118,717,646	<u><u>\$ 2,253,206</u></u>
 Liabilities		
Benefits payable and other liabilities	1,242,537	\$ -
Due to other governmental units	-	23,233
Refundable bonds and deposits	-	1,103,370
Collateral for securities lending	7,474,893	-
	<u>8,717,430</u>	<u>1,126,603</u>
Total liabilities	8,717,430	<u><u>\$ 1,126,603</u></u>
 Net Assets - Held in trust for pension systems and other employee benefits		
	<u><u>\$ 110,000,216</u></u>	

Charter Township of Clinton

Fiduciary Funds Statement of Changes in Net Assets Year Ended March 31, 2007

	Pension and Other Employee Benefit Trust Funds
Additions	
Contributions:	
Employee	\$ 933,717
Township	4,002,650
Total contributions	4,936,367
Investment income:	
Interest and dividends	3,155,030
Net appreciation in fair value of investments	8,451,520
Less investment expenses	(497,231)
Net investment income	11,109,319
Securities lending income:	
Interest and fees	393,792
Less borrower rebates and fees	(384,920)
Net securities lending income	8,872
Total additions	16,054,558
Deductions	
Benefit payments	3,692,177
Administrative expenses	50,715
Total deductions	3,742,892
Net Increase	12,311,666
Net Assets Held in Trust for Pension Benefits	
Beginning of year	97,688,550
End of year	<u><u>\$ 110,000,216</u></u>

Charter Township of Clinton

Component Units Statement of Net Assets March 31, 2007

	Economic Development Corporation	Downtown Development Authority	Total
Assets - Cash and investments (Note 2)	\$ 207,526	\$ 259,522	\$ 467,048
Liabilities - Accounts payable	700	-	700
Net Assets - Unrestricted	<u>\$ 206,826</u>	<u>\$ 259,522</u>	<u>\$ 466,348</u>

Charter Township of Clinton

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Economic Development Corporation - Public works	\$ 4,594	\$ -	\$ -	\$ -
Downtown Development Authority - Public works	4,720	-	-	-
Total component units	<u>\$ 9,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

- Taxes
- Interest
- Donations

Total general revenues

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

**Component Units
Statement of Activities
Year Ended March 31, 2007**

Net (Expense) Revenue and Changes in Net Assets		
Economic Development Corporation	Downtown Development Authority	Total
\$ (4,594)	\$ -	\$ (4,594)
-	(4,720)	(4,720)
(4,594)	(4,720)	(9,314)
-	153,164	153,164
10,888	6,665	17,553
-	2,000	2,000
10,888	161,829	172,717
6,294	157,109	163,403
200,532	102,413	302,945
<u>\$ 206,826</u>	<u>\$ 259,522</u>	<u>\$ 466,348</u>

Charter Township of Clinton

**Notes to Financial Statements
March 31, 2007**

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Clinton (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

The Charter Township of Clinton was organized on April 3, 1989 under the provisions of Act 359 of P.A. 1947, as amended (Charter Township Act). The Township is governed by an elected seven-member board of trustees composed of the supervisor, clerk, treasurer, and four other trustees. The Township provides the following services as authorized by its charter: public safety (police and fire), public works, sanitation, culture, recreation, public improvements, planning and zoning, and general administrative services.

The accompanying basic financial statements have been prepared in accordance with criteria established by Governmental Accounting Standards Board Statement Number 14, *The Financial Reporting Entity*, for determining the various governmental organizations to be included in the reporting entity. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the Township's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township, although the Township has the ability to impose its will over the entities.

Blended Component Unit

Building Authority - The Charter Township of Clinton Building Authority (the "Building Authority") is governed by a seven-member board that is appointed by the Township board of trustees. Although legally separate from the Township, the Building Authority is reported as if it were part of the primary government because its primary purpose is to provide certain facilities necessary for the operation of the Township's government and to finance and construct the Township's public buildings. The Building Authority is reported as a nonmajor Debt Service Fund.

Charter Township of Clinton

**Notes to Financial Statements
March 31, 2007**

Note 1 - Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units

Economic Development Corporation - The primary purpose of the Economic Development Corporation (EDC) is to encourage and assist commercial enterprises to locate and expand facilities within the Township. The governing members of the EDC board are appointed by the Township board of trustees and can be removed or replaced by the Township board. Complete financial statements of the EDC are available at the Township clerk's office.

Downtown Development Authority - The Downtown Development Authority (DDA) was established on August 8, 2002 under the provision of Act 197 of the Public Acts of Michigan of 1975, as amended. The DDA was created to halt property value deterioration and increase property tax valuation where possible, to eliminate the causes of that deterioration and to promote economic growth in the business district of the Township. The DDA collects captured property taxes in accordance with State law and submits a budget of expenditures within the DDA district. The DDA's governing body is appointed by the Township board of trustees.

Government-wide and Fund Financial Statements

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

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2007

Note I - Summary of Significant Accounting Policies (Continued)

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

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 general government, except those required to be accounted for in another fund.
- The Fire Special Revenue Fund accounts for all of the activities of the Township's Fire Department, except for construction activity and equipment purchased in the Fire Facility Capital Projects Fund.
- The Police Special Revenue Fund accounts for all of the activities of the Township's Police Department, except for construction activity and equipment purchased in the Police Facility Capital Projects Fund.
- The 41-B Court Building Debt Service Fund accounts for all of the activities associated with monitoring and paying debt incurred in the construction of the new 41-B District Court Building.
- The 41-B Court Building Capital Projects Fund accounts for all of the activities associated with monitoring and paying for the costs to construct the new 41-B District Court Building.

The Township reports the following major proprietary funds:

- The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.
- The Senior Housing Fund accounts for the activities of the Township's Senior Housing apartment complex.
- The Sanitation Fund accounts for the activities associated with the Township's rubbish collection program.
- The Special Assessment Fund accounts for the activities associated with the construction of the water distribution system, the sewage collection system, various paving projects, and the debt payments related to these projects.

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the Township reports the following fund types:

- The Pension and Other Employee Benefit Trust Funds account for the activities of employee benefit plans that accumulate resources for pension and other postemployment benefit payments to qualified employees.
- The Agency Funds account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, and other governments.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. The principal operating revenue of the Township's proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Note 1 - Summary of Significant Accounting Policies (Continued)

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: property taxes, state-shared revenue, and interest associated with the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township. Conversely, federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

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.

Property Tax Revenue

Property taxes are lien and billed on December 1. The winter taxes billed on December 1 are payable without penalty through February 28. Effective March 1, taxes are delinquent and payable to the Macomb County Treasurer. The winter tax bill is primarily used to finance Township operations for the following fiscal year.

Charter Township of Clinton

Notes to Financial Statements March 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2006 taxable valuation (real and personal property) of the Township totaled \$3,072,587,786, on which ad valorem taxes levied consisted of .7514 mills for the Township's operating purposes, .8914 mills for fire operating purposes, 1.5 mills for police operating purposes, and .33 mills for the retirement of police building debt. The ad valorem taxes generated \$2,308,742 for general operations, \$2,738,905 for fire operations, \$4,608,882 for police operations, and \$1,013,954 for police building debt retirement. The 2006 real property taxable valuation of the Township totaled \$2,904,673,686, on which special assessments levied consisted of 5 mills for police operations and 4 mills for fire operations. The special assessment levies generated \$14,523,368 for police operations and \$11,618,695 for fire operations. The Industrial Facilities Tax roll generated \$37,207 for general operations, \$228,824 for police operations, \$167,779 for fire operations, and \$16,340 for police building debt retirement. These amounts are recorded in their respective funds as tax revenue.

Assets, Liabilities, and Net Assets or Equity

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

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Inventories and Prepaid Costs - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Restricted Assets - The revenue bonds of the Enterprise Fund require amounts to be set aside for a bond reserve. The amount has been classified as a restricted asset. Unspent bond proceeds of the Court Building Facility Capital Projects Fund are required to be set aside for construction. These amounts have also been classified as restricted assets.

Charter Township of Clinton

Notes to Financial Statements March 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Assets are depreciated starting on the first day of the first fiscal year following the date of acquisition.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Structures, mains, and laterals	25-50 years
Infrastructure	50 years
Meters	10-20 years
Land improvements	15 years
Buildings and improvements	25-50 years
Office furniture and equipment	5 years
Operating equipment	10 years
Vehicles	3-10 years

Compensated Absences - The Township allows employees to accumulate earned but unused sick and vacation pay benefits. The government-wide and proprietary statements accrue all vacation and personal pay as it is earned, and sick pay as it is used or vested (whichever is earlier). A liability for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off or employees terminate).

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Charter Township of Clinton

Notes to Financial Statements March 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

Construction Code Act - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity is as follows:

Cumulative expenditures over revenue - April 1, 2006		\$ (2,354,000)
Fiscal 2007 building department activity:		
Permit revenue	\$ 1,291,000	
Expenditures	<u>(1,447,000)</u>	
Excess of expenditures over revenue		<u>(156,000)</u>
Cumulative expenditures over revenue - March 31, 2007		<u>\$ (2,510,000)</u>

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Township has designated 14 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above.

The Fire and Police Pension Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. The Township does not have a separate investment policy for its pension fund; however, the Township does follow the State Pension Act limits.

As permitted by state statutes, and under the provisions of a Securities Lending Authorization Agreement, the Fire and Police Pension System Trust Fund lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Fire and Police Pension System's custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended March 31, 2007, only United States currency was received as collateral.

The Police and Fire Pension System did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or the custodial bank.

Note 2 - Deposits and Investments (Continued)

The Police and Fire Pension System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of March 31, 2007 was 122 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On March 31, 2007, the Police and Fire Pension System had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the Police and Fire Pension System as of March 31, 2007 were \$7,474,893 and \$7,298,191, respectively.

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

Custodial Credit Risk - Township-wide Bank Deposits and Investments -

Custodial credit risk is the risk that in the event of a third-party custodian's failure, the Township's deposits may not be returned to it. The Township's investment policy requires that the Township minimize custodial credit risk by using only financial institutions meeting a pre-qualification evaluation and holding securities in the Township's name. The evaluation of institutions includes screening by size, asset quality, liquidity of funds, profitability, and capital using several third-party sources. At year end, the Township had \$81 million of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Pension and Retiree Health Care Funds -

The Township's pension trust fund does not have an investment policy for custodial credit risk. At year end, the Township's pension trust fund had \$3.9 million of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township's pension trust fund believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township's pension trust fund evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Charter Township of Clinton

Notes to Financial Statements March 31, 2007

Note 2 - Deposits and Investments (Continued)

At year end, the following investment securities were uninsured and unregistered, and held by a counterparty or by its trust department or agent but not in the Township's name:

Investment Type	Fair Value of Township Investments and Pension Trust Funds	How Held
Corporate bonds	\$ 11,843,163	Counterparty
Equity securities	57,503,543	Counterparty
Foreign mutual funds	2,482,711	Counterparty
United States government agencies	14,195,709	Counterparty
Total uninsured and unregistered	<u>\$ 86,025,126</u>	

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy requires the Township to minimize the risk that the market value of the securities in the portfolio will fall due to changes in general interest rates by structuring the portfolio to meet the cash requirements of ongoing operations, thereby mitigating the need to liquidate securities at a loss prior to maturity. At year end, the Township had the following investments and maturities:

Investment Type	Fair Value of Township-wide Deposits and Investments	Fair Value of Pension Trust Funds	Less than 6 Years	6-15 Years	Greater than 15 Years
Bank investment pool	\$ 21,006,146	\$ 983,608	\$ 21,989,754	\$ -	\$ -
U. S. government or agency securities	5,245,333	8,950,377	5,449,288	2,479,278	6,267,144
Corporate bonds	2,660,000	9,183,163	5,627,191	2,292,904	3,923,068

Charter Township of Clinton

Notes to Financial Statements March 31, 2007

Note 2 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy further minimizes credit risk by limiting investments to the safest types of securities and by diversifying the portfolio so potential losses on individual securities are minimized. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 16,128,079	Not Rated	Not Rated
U.S. government agency mortgage-backed securities	10,121,391	Not Rated	Not Rated
Corporate asset-backed securities	1,391,911	AAA	Standard and Poor's
U.S. federal agencies	1,241,717	AAA	Standard and Poor's
Bank investment pool	5,861,675	Aaa	Moody's
Collateralized mortgage obligations	2,035,060	AAA	Standard and Poor's
Collateralized mortgage obligations	1,014,953	Not Rated	Not Rated
Corporate bonds	8,173,893	AA+ to CCC+	Standard and Poor's

Concentration of Credit Risk - The Township's investment policy minimizes the risk in placing a large portion of the portfolio with a single security issuer by limiting the exposure to 20 percent of the total portfolio. At March 31, 2007, the Township held investments in the Federal Home Loan Mortgage Association valued at \$6,373,618. This investment represents 5.96 percent of the Township's total investments.

Charter Township of Clinton

Notes to Financial Statements March 31, 2007

Note 2 - Deposits and Investments (Continued)

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The following securities are subject to foreign currency risk:

<u>Security</u>	<u>Fair Value</u>	<u>Foreign Currency</u>
Foreign mutual fund holdings	\$ 7,120	Australian dollar
Foreign mutual fund holdings	960,666	Canadian dollar
Foreign mutual fund holdings	56,178	Euro
Foreign mutual fund holdings	2,103,883	Yen
Foreign mutual fund holdings	609,682	Polish zloty
Foreign mutual fund holdings	564,438	Singapore dollar
Foreign mutual fund holdings	316,416	Swedish krona
Foreign mutual fund holdings	3,054	British pound
Foreign mutual fund holdings	387,407	Malaysian ringgit
Foreign mutual fund holdings	10,200	New Zealand dollar
Foreign mutual fund holdings	374,223	South African rand

Charter Township of Clinton

Notes to Financial Statements March 31, 2007

Note 3 - Capital Assets

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

Governmental Activities	Balance April 1, 2006	Additions	Disposals and Adjustments	Balance March 31, 2007
Capital assets not being depreciated - Land	\$ 2,907,036	\$ 404,575	\$ -	\$ 3,311,611
Capital assets being depreciated:				
Land improvements	1,647,463	-	-	1,647,463
Buildings and building improvements	31,078,521	3,431,431	-	34,509,952
Office furniture and equipment	6,677,155	111,574	157,000	6,631,729
Vehicles	7,677,569	1,406,406	677,388	8,406,587
Operating equipment	4,206,914	417,000	84,317	4,539,597
Infrastructure assets constructed by special assessment fund	<u>1,425,746</u>	<u>462,911</u>	<u>-</u>	<u>1,888,657</u>
Subtotal	52,713,368	5,829,322	918,705	57,623,985
Accumulated depreciation:				
Land improvements	994,663	102,186	-	1,096,849
Buildings and building improvements	6,249,751	669,349	-	6,919,100
Office furniture and equipment	5,495,496	463,753	157,000	5,802,249
Vehicles	4,985,424	674,704	551,940	5,108,188
Operating equipment	1,980,891	349,862	84,317	2,246,436
Infrastructure assets constructed by special assessment fund	<u>-</u>	<u>28,515</u>	<u>-</u>	<u>28,515</u>
Subtotal	<u>19,706,225</u>	<u>2,288,369</u>	<u>793,257</u>	<u>21,201,337</u>
Net capital assets being depreciated	<u>33,007,143</u>	<u>3,540,953</u>	<u>125,448</u>	<u>36,422,648</u>
Net capital assets	<u>\$ 35,914,179</u>	<u>\$ 3,945,528</u>	<u>\$ 125,448</u>	<u>\$ 39,734,259</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2007

Note 3 - Capital Assets (Continued)

Business-type Activities	Balance April 1, 2006	Additions	Disposals and Adjustments	Balance March 31, 2007
Capital assets not being depreciated:				
Land	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Construction in progress	<u>3,960,215</u>	<u>3,243,076</u>	<u>2,943,064</u>	<u>4,260,227</u>
Net capital assets not being depreciated	4,960,215	3,243,076	2,943,064	5,260,227
Capital assets being depreciated:				
Land improvements	320,165	-	-	320,165
Buildings and improvements	14,079,990	396,694	-	14,476,684
Equipment	1,822,684	78,900	60,206	1,841,378
Vehicles	1,801,001	336,494	246,394	1,891,101
Furniture and fixtures	697,048	-	-	697,048
Meters	4,515,632	-	-	4,515,632
Structures, mains, and laterals	<u>146,473,167</u>	<u>6,352,410</u>	<u>-</u>	<u>152,825,577</u>
Subtotal	169,709,687	7,164,498	306,600	176,567,585
Accumulated depreciation:				
Land improvements	40,443	21,344	-	61,787
Buildings and improvements	3,902,400	281,600	-	4,184,000
Equipment	1,659,722	54,321	60,206	1,653,837
Vehicles	1,476,146	168,628	246,394	1,398,380
Furniture and fixtures	496,530	48,927	-	545,457
Meters	2,446,917	218,555	-	2,665,472
Structures, mains, and laterals	<u>49,675,806</u>	<u>2,772,188</u>	<u>-</u>	<u>52,447,994</u>
Subtotal	<u>59,697,964</u>	<u>3,565,563</u>	<u>306,600</u>	<u>62,956,927</u>
Net capital assets being depreciated	<u>110,011,723</u>	<u>3,598,935</u>	<u>-</u>	<u>113,610,658</u>
Net capital assets	<u>\$ 114,971,938</u>	<u>\$ 6,842,011</u>	<u>\$ 2,943,064</u>	<u>\$ 118,870,885</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2007

Note 3 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 301,438
Public safety		1,608,623
Public works		103,182
Recreation and senior activities		216,160
Infrastructure assets constructed by special assessment fund		28,515
41-B District Court		<u>30,451</u>
	Total governmental activities	<u>\$ 2,288,369</u>
Business-type activities:		
Water and sewer		\$ 3,262,619
Senior housing		<u>302,944</u>
	Total business-type activities	<u>\$ 3,565,563</u>

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances in the fund financial statements is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 504,723
	Special Assessment Fund	8,717
	Other nonmajor funds	<u>80,193</u>
	Total General Fund	593,633
Court Building Capital Project Fund	Court Building Debt Service Fund	300
Sanitation Fund	Water and Sewer Fund	40,737
Special Assessment Fund	Water and Sewer Fund	1,000
Other nonmajor funds	General Fund	71,727
	Special Assessment Fund	<u>14,687</u>
	Total other nonmajor funds	<u>86,414</u>
	Total	<u>\$ 722,084</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2007

Note 4 - Interfund Receivables, Payables, and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

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

	Transfers In			Total
	Police Fund	Special Assessment Fund	Other Nonmajor Funds	
Transfers out:				
General Fund	\$ 2,276,413 (4)	\$ -	\$ 320,018 (1)	\$ 2,596,431
Fire Fund	-	-	111,123 (1)	111,123
Water and Sewer Fund	-	1,000 (3)	-	1,000
Special Assessment Fund	-	-	14,687 (2)	14,687
Total	<u>\$ 2,276,413</u>	<u>\$ 1,000</u>	<u>\$ 445,828</u>	<u>\$ 2,723,241</u>

- (1) Transfer for debt service payment
- (2) Transfer of discretionary funds for capital improvement projects
- (3) Transfer to eliminate deficits in the special assessment projects
- (4) Transfer of discretionary funds for police operations

Note 5 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the Township.

Installment purchase agreements are also general obligations of the government.

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Charter Township of Clinton

Notes to Financial Statements March 31, 2007

Note 5 - Long-term Debt (Continued)

The special assessment bonds represent the financing of public improvements that benefit specific districts; these districts are specially assessed, at least in part, for the cost of the improvements. Under Michigan law, the Township is secondarily liable for payment of these bonds.

In connection with the Water and Sewer Revenue Bonds, the Township is subject to bond ordinance requirements, including maintaining a relationship of net revenue to debt service requirements.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
General obligation bonds:						
Building Authority Refunding Bonds - Series 1994:*						
Amount of issue - \$7,270,000	4.50%-	\$232,220-				
Maturing through 2010	4.90%	\$278,955	\$ 1,317,375	\$ (264,350)	\$ 1,053,025	\$ 232,220
Building Authority Refunding Bonds - Series 1998:*						
Amount of issue - \$10,390,000	4.30% -	\$5,355-				
Maturing through 2017	5.50%	\$315,945	1,889,244	(5,355)	1,883,889	5,355
Police Building Bonds - Series 1998:						
Amount of issue - \$8,000,000	4.00%-	\$325,000-				
Maturing through 2018	6.00%	\$725,000	6,000,000	(375,000)	5,625,000	375,000
Police Building Bonds - Series 1999:						
Amount of issue - \$5,900,000	4.00%-	\$150,000-				
Maturing through 2018	6.00%	\$600,000	4,800,000	(250,000)	4,550,000	300,000
Fire Building Bonds - Series 2002:						
Amount of issue - \$8,500,000	2.50%-	\$175,000-				
Maturing through 2022	4.60%	\$750,000	7,775,000	(225,000)	7,550,000	250,000
41B District Court Bonds - Series 2006:						
Amount of issue - \$13,500,000	4.00%-	\$50,000-				
Maturing through 2031	4.50%	\$1,000,000	-	13,450,000	13,450,000	200,000
Total bond obligations			21,781,619	12,330,295	34,111,914	1,362,575
Other long-term obligations - Compensated absences			3,870,836	52,029	3,922,865	1,176,860
Total governmental activities			25,652,455	12,382,324	38,034,779	2,539,435

* Bonds with maturing dates from November 1, 2003 through November 1, 2017 were defeased during the years ended March 31, 1994 and March 31, 1999. The Series 1994 bonds are co-funded by the General Fund, Fire Fund, and the Senior Housing Fund. The Series 1998 bonds are co-funded by the General Fund and the Senior Housing Fund. See tables for breakout.

Charter Township of Clinton

Notes to Financial Statements March 31, 2007

Note 5 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-type Activities						
General obligation bonds:						
Building Authority Refunding Bonds - Series 1994*:						
Amount of issue - \$7,270,000	4.50%-	\$562,780-				
Maturing through 2010	4.90%	\$676,045	\$ 3,192,630	\$ (640,650)	\$ 2,551,980	\$ 562,780
Building Authority Refunding Bonds - Series 1998*:						
Amount of issue - \$10,390,000	4.30% -	\$19,645-				
Maturing through 2017	5.50%	\$1,159,055	6,930,755	(19,645)	6,911,110	19,645
1997 Special Assessment Bonds - Limited Tax Bonds (Project Nos. 910, 913, 914, and 924):						
Amount of issue - \$715,000	5.15%-					
Maturing through 2006	5.25%	\$75,000	75,000	(75,000)	-	-
1998 Special Assessment Bonds - Limited Tax Bonds (Project Nos. 930, 931, 932, 933, 938, and 939):						
Amount of issue - \$945,000		\$50,000-				
Maturing through 2008	6.00%	\$100,000	200,000	(75,000)	125,000	75,000
1999 Special Assessment Bonds - Limited Tax Bonds (Project Nos. 892, 923, 937, 940, 941, 948, and 952):						
Amount of issue - \$680,000	3.80%-	\$55,000-				
Maturing through 2008	4.25%	\$60,000	170,000	(55,000)	115,000	55,000
2001 Special Assessment Bonds - Limited Tax Bonds (Project Nos. 985, 988, and 990):						
Amount of issue - \$995,000	3.80%-	\$105,000-				
Maturing through 2011	4.60%	\$110,000	530,000	(105,000)	425,000	105,000
2004 Special Assessment Bonds - Limited Tax Bonds (Project Nos. P1000, P1006, P1018, P1029, and S1013):						
Amount of issue - \$1,115,000	3.15%-	\$80,000-				
Maturing through 2014	3.80%	\$135,000	1,035,000	(135,000)	900,000	130,000
2006 Special Assessment Bonds - Limited Tax Bonds (Project Nos. S-1052, W-1053, and P-1056)						
Amount of issue - \$955,000		\$100,000-				
Maturing through 2015	6.00%	\$105,000	-	910,000	910,000	105,000
Revenue bonds:						
Revenue Refunding Bonds - Series 1998:						
Amount of issue - \$4,110,000	4.35%-	\$145,000-				
Maturing through 2013	5.00%	\$435,000	2,250,000	(390,000)	1,860,000	435,000

Charter Township of Clinton

Notes to Financial Statements March 31, 2007

Note 5 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-type Activities (Continued)						
Revenue bonds (Continued):						
Revenue Bonds - Series 2001:						
Amount of issue - \$8,000,000	4.00%-	\$200,000-				
Maturing through 2022	7.00%	\$650,000	\$ 7,275,000	\$ (250,000)	\$ 7,025,000	\$ 275,000
Revenue Refunding Bonds - Series 2004:						
Amount of issue - \$2,570,000	2.00%-	\$5,000-				
Maturing through 2016	3.40%	\$405,000	2,555,000	(15,000)	2,540,000	20,000
Revenue Bonds - CWRP Project 5191-01:						
Amount of issue - \$1,405,000		\$55,000-				
Maturing through 2024	2.125%	\$85,000	1,290,000	(60,000)	1,230,000	60,000
Revenue Bonds - SQWIF Project 3001-01:						
Amount of issue - \$270,000		\$10,000-				
Maturing through 2024	1.625%	\$15,000	148,614	23,857	172,471	10,000
Revenue Bonds - Series 2006:						
Amount of issue - \$5,000,000	3.75%-	\$100,000-				
Maturing through 2026	4.30%	\$400,000	-	5,000,000	5,000,000	100,000
Total bond obligations			25,651,999	4,113,562	29,765,561	1,952,425
Other long-term obligations - Compensated absences			239,498	(3,155)	236,343	70,903
Total business-type activities			25,891,497	4,110,407	30,001,904	2,023,328
Total primary government			\$ 51,543,952	\$ 16,492,731	\$ 68,036,683	\$ 4,562,763

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 1,362,575	\$ 1,479,824	\$ 2,842,399	\$ 1,952,425	\$ 1,267,499	\$ 3,219,924
2009	1,454,541	1,414,392	2,868,933	2,030,459	1,174,655	3,205,114
2010	1,525,161	1,347,992	2,873,153	1,924,839	1,081,334	3,006,173
2011	1,660,381	1,282,210	2,942,591	2,109,619	993,101	3,102,720
2012	1,665,975	1,213,285	2,879,260	2,209,025	903,601	3,112,626
2013-2017	10,677,336	4,866,584	15,543,920	10,902,664	3,114,874	14,017,538
2018-2022	7,965,945	2,608,327	10,574,272	5,816,530	1,071,292	6,887,822
2023-2027	3,900,000	1,332,550	5,232,550	2,820,000	189,819	3,009,819
2028-2031	3,900,000	357,750	4,257,750	-	-	-
Total	\$ 34,111,914	\$ 15,902,914	\$ 50,014,828	\$ 29,765,561	\$ 9,796,175	\$ 39,561,736

Note 5 - Long-term Debt (Continued)

Defeased Debt

In prior years, the Township defeased certain Building Authority and Water and Sewer Revenue Bonds by placing surplus cash in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the basic financial statements. At March 31, 2007, \$12,300,000 of Building Authority bonds and \$2,100,000 of Water and Sewer Revenue bonds outstanding are considered defeased.

No Commitment Debt

Excluded from the government-wide statement of net assets are revenue bonds issued by the Economic Development Corporation to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the Township. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the Township's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or another knowledgeable source.

Note 6 - Restricted Assets

The Water and Sewer Fund accounts for the operation and maintenance of the water and sewer treatment activities of the Township, including the funding of reserves as required by the revenue bond ordinances. The bond reserve account balance at March 31, 2007 is funded by certificates of deposits and money market funds in the amount of \$1,531,300.

The Court Building Capital Project Fund accounts for the construction of the 41-B District Court Facility Building. Total assets restricted for use in this construction project at March 31, 2007 are \$10,797,223.

Charter Township of Clinton

Notes to Financial Statements March 31, 2007

Note 7 - Risk Management

The Township is exposed to losses from various risks. Those risks include those related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and medical benefits provided to employees, retirees, and their dependents. The Township has purchased commercial insurance for medical claims, property loss, torts, and errors and omissions. The Township is uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past five fiscal years.

The Township estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The liability is recorded in accrued and other liabilities on the statement of net assets.

Changes in the estimated liability for the past two fiscal years were as follows:

	<u>2007</u>	<u>2006</u>
Estimated liability - Beginning of year	\$ 925,927	\$ 932,621
Estimated claims incurred, including changes in estimates	733,627	286,433
Claim payments	<u>(474,511)</u>	<u>(293,127)</u>
Estimated liability - End of year	<u>\$ 1,185,043</u>	<u>\$ 925,927</u>

Note 8 - Commitments and Contingencies

Construction Commitments - The Charter Township of Clinton has an active construction project at year end. As of March 31, 2007, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Groesbeck Highway Water Main Replacement	\$ -	\$ 694,000
41-B District Court Building	3,749,000	7,790,000
Senior Center Addition/Renovation	-	668,000
Other commitments	<u>3,419,000</u>	<u>360,000</u>
Total	<u>\$ 7,168,000</u>	<u>\$ 9,512,000</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2007

Note 8 - Commitments and Contingencies (Continued)

Environmental Contingency - The Township may be required to undertake measures to upgrade sanitary sewers in order to be in compliance with the Clean Water Act. According to the Michigan Department of Environmental Quality, actions required by the Township are dependent upon the results of a Waste Water Master Plan currently being completed by the City of Detroit Water and Sewerage Department. Since the recommendations of that study are not yet known, the Township cannot estimate these costs.

Lawsuits - The Township is a defendant in various legal actions that have arisen in the normal course of business. In the opinion of management, eventual resolution of these claims will not have a material effect on the Township's financial position or results of operations.

Note 9 - Designated Fund Balances

Designated fund balance in the governmental funds at March 31, 2007 is as follows:

	General Fund	Fire Fund	Police Fund	Other Nonmajor Governmental Funds
Subsequent year's budget	\$ -	\$ -	\$ -	\$ 429,870
Debt service	-	-	-	64,338
Working capital	3,559,500	12,923,013	14,645,942	-
Workers' compensation	250,000	-	-	-
Total	<u>\$ 3,809,500</u>	<u>\$ 12,923,013</u>	<u>\$ 14,645,942</u>	<u>\$ 494,208</u>

Note 10 - Postemployment Benefits

The Township provides health care benefits to all full-time employees upon retirement in accordance with labor contracts. Currently, 170 retirees are eligible. The Township includes pre-Medicare retirees and their dependents in its insured health care plan. Contributions by the participants range from 0 percent to 100 percent depending on the number of years of service with the Township prior to retirement. The Township purchases Medicare supplemental insurance, including prescription coverage, for retirees eligible for Medicare.

The Township has established the Postemployment Benefit Fund and the Public Employee Healthcare Fund to fund retiree health care benefit obligations in advance of premiums coming due.

Charter Township of Clinton

Notes to Financial Statements March 31, 2007

Note 10 - Postemployment Benefits (Continued)

During the year ended March 31, 2007, the General, Special Revenue, and Water and Sewer Funds contributed \$707,450, \$1,651,400, and \$293,000, respectively, to the Postemployment Benefit Fund. Insurance premiums paid for retirees are charged to the Postemployment Benefit Fund and total approximately \$2,033,000.

The two postemployment benefit funds have a combined fund balance totaling \$11,903,716 at March 31, 2007. This amount represents the cumulative net funding provisions that have been made in advance of retiree health care premiums.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions).

The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2009.

Note 11 - Pension Plans

Fire and Police Pension System Fund

System Description and Contribution Information

Membership of the system consisted of the following at March 31, 2006, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	93
Current employees:	
Fully vested	78
Nonvested	117
Total current employees	195
Number of participating employers	1

Note 11 - Pension Plans (Continued)

The Pension System is the administrator of a single-employer public employees' retirement system that covers all police and fire employees of the Township. The system is composed of a defined contribution plan to account for the employees' contributions and a defined benefit plan to account for the Township's contribution and retirees' reserve. For accounting purposes, these plans are combined. The system provides retirement benefits, as well as death and disability benefits. The Fire and Police Pension System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 40700 Romeo Plank Road, Clinton Township, MI 48038.

The Pension System member and employer contributions are recognized in the period in which the contributions are due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Please refer to Note 1 for further significant accounting policies.

Depending upon their collective bargaining unit, plan members are required to contribute between 4.0 percent and 7.0 percent of their annual covered salary. The Township is required to contribute at an actuarially determined rate. The obligation to contribute to and maintain the system for these employees was established by Act No. 345 of the Public Acts of 1937, as amended, and modified by the collective bargaining agreements. Administrative costs of the system are financed through investment earnings.

Annual Pension Cost

For the year ended March 31, 2007, the Township's annual pension cost of \$2,902,650 for the plan was equal to the Pension System's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at March 31, 2005. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.5 percent per year, compounded annually, (b) projected salary increases of 5.0 percent to 9.0 percent per year compounded annually, and (c) no postretirement benefit increases. Assumption (b) includes inflation at 4.5 percent. For actuarial purposes, asset values are determined using techniques that smooth the effects of short-term market volatility over a four-year period. Level of percentage of payroll employer contribution rates is determined using the entry age normal actuarial funding method. The Pension System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at March 31, 2005 was 20 years.

Charter Township of Clinton

Notes to Financial Statements March 31, 2007

Note 11 - Pension Plans (Continued)

Reserves

State law requires employee contributions to be segregated and interest to be added annually. In addition, amounts must be set aside as determined by the actuary to fund benefits to retirees currently approved to receive benefits.

The reserves of the Fire and Police Pension System Fund are as follows:

	Reserved for Employee Contributions	Reserved for Employer Contributions	Reserved for Membership Annuities	Total
Balances - April 1, 2006	\$ 8,003,550	\$ 51,910,104	\$ 28,850,652	\$ 88,764,306
Additions				
Contributions:				
Members	932,367	1,350	-	933,717
General Fund	-	2,902,650	-	2,902,650
Net investment gain	-	10,231,682	-	10,231,678
Securities lending income	-	8,872	-	8,872
Total balances and additions	8,935,917	65,054,658	28,850,652	102,841,223
Transfers				
Interest	163,389	(2,295,409)	2,132,020	-
Reserve adjustment	(339,029)	(4,008,313)	4,347,342	-
Total balances and additions after transfers	8,760,277	58,750,936	35,330,014	102,841,223
Deductions				
Pension benefits	-	-	(3,692,177)	(3,692,177)
Refunds and other administrative expenses	-	(50,715)	-	(50,715)
Balances - March 31, 2007	<u>\$ 8,760,277</u>	<u>\$ 58,700,221</u>	<u>\$ 31,637,837</u>	<u>\$ 99,098,331</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2007

Note 11 - Pension Plans (Continued)

Three-year Trend Information

<u>Year Ended</u> <u>March 31</u>	<u>Annual Pension</u> <u>Cost</u>	<u>Percentage</u> <u>Contributed</u>
2005	\$ 2,345,264	100
2006	2,757,359	100
2007	2,902,650	100

The required supplemental information (see table of contents) contained in the additional information is designed to provide information about the system's progress in accumulating sufficient assets to pay benefits when due.

Michigan Municipal Employees' Retirement System

System Description and Contribution Information

The Township participates in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan that covers substantially all employees of the Township, except police and fire. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the eight municipal employee collective bargaining units and requires a contribution from the employees of 3.0 percent to 5.0 percent of gross wages.

Charter Township of Clinton

Notes to Financial Statements March 31, 2007

Note 11 - Pension Plans (Continued)

Annual Pension Cost

For the year ended March 31, 2007, the Township's annual pension cost of \$1,064,644 for the system was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal funding method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) additional projected salary increases of 0.0 percent to 8.4 percent per year, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period for positive unfunded liabilities and 10-year period for negative unfunded liabilities.

	Fiscal Year Ended March 31		
	2007	2006	2005
Annual pension cost (APC)	\$ 1,064,644	\$ 986,461	\$ 884,964
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of March 31		
	2004	2003	2002
Actuarial value of assets	\$ 36,624,158	\$ 34,262,159	\$ 32,081,443
Actuarial accrued liability	\$ 45,003,631	\$ 40,476,726	\$ 36,394,763
Unfunded AAL (UAAL)	\$ 8,379,473	\$ 6,214,567	\$ 4,313,320
Funded ratio	81%	85%	88%
Covered payroll	\$ 11,970,676	\$ 11,739,691	\$ 10,774,043
UAAL as a percentage of covered payroll	70%	53%	40%

Charter Township of Clinton

Notes to Financial Statements March 31, 2007

Note 12 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Fund Financial Statements			Government-wide Financial Statements
	Unavailable	Unearned	Total	Unearned
State-shared revenue	\$ 579,798	\$ -	\$ 579,798	\$ -
Other municipalities portion of bond proceeds	1,962,421	4,224,579	6,187,000	4,224,579
Other grant revenue	-	45,784	45,784	45,784
Total restricted assets	<u>\$ 2,542,219</u>	<u>\$ 4,270,363</u>	<u>\$ 6,812,582</u>	<u>\$ 4,270,363</u>

Note 13 - Joint Ventures

The Township is a member of the Grosse Pointes-Clinton Refuse Disposal Authority (the "Authority") joint venture. The Authority's governing board is composed of two appointees from the Township and one appointee from each of the other seven member communities. In April 1999, the Authority's governing board ceased incineration operations at the Authority. The Township's equity portion of the Authority is reported in the Sanitation Fund. The Township is unaware of any circumstances, including environmental remediation, that would cause an additional benefit or burden to the participating governments in the near future. The financial statements for the Authority can be obtained from the Authority's administrative office located at 27941 Harper Avenue, Suite 106, St. Clair Shores, MI 48081.

The Township, in conjunction with Macomb Township, has created the Clinton-Macomb District Library (the "Library"). The Library's board is composed of three members appointed by the Township board of trustees and three members appointed by Macomb Township. The Library is funded through property taxes, specifically through a separate property tax millage that is not recorded as revenue by Clinton Township. The Library currently does not receive a subsidy from the Township. The Township is unaware of any circumstance that would cause an additional benefit or burden to the participating governments in the near future. The financial statements for the Library can be obtained from the Library's administrative office at 40900 Romeo Plank Road, Clinton Township, MI 48038.

Required Supplemental Information

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,410,500	\$ 2,380,000	\$ 2,387,574	\$ 7,574
Licenses and permits	1,338,500	1,204,000	1,291,391	87,391
Federal sources	721,346	1,069,376	986,986	(82,390)
State sources	8,279,500	8,119,500	8,013,398	(106,102)
Interest	110,000	265,000	430,445	165,445
Fines and forfeitures	578,931	761,572	714,928	(46,644)
Other revenue	<u>3,452,271</u>	<u>3,677,128</u>	<u>3,835,656</u>	<u>158,528</u>
Total revenue	16,891,048	17,476,576	17,660,378	183,802
Expenditures - Current				
General government	6,739,926	6,722,620	6,666,093	56,527
Public safety	1,466,708	1,458,313	1,442,164	16,149
Public works	4,100,056	4,097,801	3,907,032	190,769
Recreation and senior activities	1,832,234	2,164,215	2,067,261	96,954
District Court	<u>489,700</u>	<u>597,341</u>	<u>533,546</u>	<u>63,795</u>
Total expenditures	<u>14,628,624</u>	<u>15,040,290</u>	<u>14,616,096</u>	<u>424,194</u>
Excess of Revenue Over Expenditures	2,262,424	2,436,286	3,044,282	607,996
Other Financing Uses - Transfers out	<u>(2,596,282)</u>	<u>(2,596,282)</u>	<u>(2,596,431)</u>	<u>(149)</u>
Net Change in Fund Balance	(333,858)	(159,996)	447,851	607,847
Fund Balance - Beginning of year	<u>7,323,961</u>	<u>7,323,961</u>	<u>7,323,961</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 6,990,103</u>	<u>\$ 7,163,965</u>	<u>\$ 7,771,812</u>	<u>\$ 607,847</u>

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended March 31, 2007

<u>Fire Fund</u>	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 14,167,503	\$ 14,533,000	\$ 14,510,162	\$ (22,838)
Interest	80,000	250,000	375,251	125,251
Other revenue	68,000	68,000	14,209	(53,791)
Total revenue	14,315,503	14,851,000	14,899,622	48,622
Expenditures				
Current - Public safety	13,659,718	14,021,781	13,753,107	268,674
Debt service:				
Principal	225,000	225,000	225,000	-
Interest	312,663	312,663	312,688	(25)
Total expenditures	14,197,381	14,559,444	14,290,795	268,649
Excess of Revenue Over Expenditures	118,122	291,556	608,827	317,271
Other Financing Uses - Transfers out	(111,123)	(111,123)	(111,123)	-
Net Change in Fund Balance	6,999	180,433	497,704	317,271
Fund Balance - Beginning of year	12,516,833	12,516,833	12,516,833	-
Fund Balance - End of year	<u>\$ 12,523,832</u>	<u>\$ 12,697,266</u>	<u>\$ 13,014,537</u>	<u>\$ 317,271</u>

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended March 31, 2007

<u>Police Fund</u>	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 14,263,000	\$ 19,357,000	\$ 19,338,641	\$ (18,359)
Licenses and permits	62,000	62,000	57,886	(4,114)
Federal sources	20,000	44,000	61,845	17,845
State sources	216,000	221,000	238,088	17,088
Other revenue	<u>606,700</u>	<u>610,000</u>	<u>752,410</u>	<u>142,410</u>
Total revenue	15,167,700	20,294,000	20,448,870	154,870
Expenditures - Public safety	<u>17,444,113</u>	<u>17,525,636</u>	<u>17,548,392</u>	<u>(22,756)</u>
Excess of Revenue Over (Under)				
Expenditures	(2,276,413)	2,768,364	2,900,478	132,114
Other Financing Sources - Transfers in	<u>2,276,413</u>	<u>2,276,413</u>	<u>2,276,413</u>	<u>-</u>
Net Change in Fund Balance	-	5,044,777	5,176,891	132,114
Fund Balance - Beginning of year	<u>9,602,048</u>	<u>9,602,048</u>	<u>9,602,048</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 9,602,048</u>	<u>\$ 14,646,825</u>	<u>\$ 14,778,939</u>	<u>\$ 132,114</u>

Charter Township of Clinton

Required Supplemental Information Pension System Schedule of Funding Progress and Employer Contributions March 31, 2007

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability* (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
03/31/00	\$ 59,925,922	\$ 54,892,942	\$ (5,032,980)	109.2	\$ 11,218,992	(44.9)
03/31/01	63,882,741	57,476,278	(6,406,463)	111.1	11,533,887	(55.5)
03/31/02	67,781,390	60,903,731	(6,877,659)	111.3	11,833,874	(58.1)
03/31/03	68,539,019	65,622,382	(2,916,637)	104.4	13,267,042	(22.0)
03/31/04	68,920,716	69,937,354	1,016,638	98.5	13,664,660	7.4
03/31/05	72,158,679	75,553,927	3,395,248	95.5	13,754,331	24.7

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
03/31/02	03/31/00	\$ 1,754,118	100.0
03/31/03	03/31/01	1,839,220	100.0
03/31/04	03/31/02	1,853,582	100.0
03/31/05	03/31/03	2,345,264	100.0
03/31/06	03/31/04	2,757,359	100.0
03/31/07	03/31/05	2,902,650	100.0

The required contribution is expressed to the Township as a percentage of payroll.

Valuation date	March 31, 2005
Actuarial cost method	Individual entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	20 years
Asset valuation method	4-year smoothed market value
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases**	5.0% - 9.0%
** Includes inflation at	4.5%
Cost of living adjustments	None

Charter Township of Clinton

Note to Required Supplemental Information March 31, 2007

Note - Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds except for the fact that other revenue per the General Fund budgetary comparison schedule includes \$1,339,065 of reimbursements from other funds. On the governmental funds statement of revenue, expenditures, and changes in fund balance, those reimbursements are netted against general government expenditures. All annual appropriations lapse at fiscal year end. The budget cycle runs from April 1 to March 31. The annual budget is submitted to the Township board 120 days prior to the beginning of the next fiscal year and approved by the board prior to commencement of the new fiscal year.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Encumbrances are not included as expenditures. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. The amount of encumbrances outstanding at March 31, 2007 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The major fund budgets are included in the required supplemental information section of the financial statements. The other Special Revenue Fund budgets can be obtained at the Township offices.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Charter Township of Clinton experienced no significant budget variances.

Other Supplemental Information

Charter Township of Clinton

Nonmajor Special Revenue Funds

	Capital Improvement		Community Development		Postemployment	Drug	Total Special	
	Revolving	Drainage	Block Grant		Benefit	Forfeiture	Street Lighting	Revenue Funds
Assets								
Cash and investments	\$ 2,280,894	\$ 1,492,206	\$ -	\$ -	\$ 587,283	\$ 391,128	\$ 557,237	\$ 5,308,748
Receivables:								
Taxes	-	-	-	-	-	-	-	-
Customers	1,947	-	-	-	-	-	40,826	42,773
Other	-	-	-	-	249,597	-	-	249,597
Due from other funds	14,687	-	-	-	-	-	-	14,687
Due from other governmental units	-	-	178,270	-	-	-	-	178,270
Prepaid costs	-	-	-	-	170,542	-	-	170,542
Total assets	\$ 2,297,528	\$ 1,492,206	\$ 178,270	\$ -	\$ 1,007,422	\$ 391,128	\$ 598,063	\$ 5,964,617
Liabilities and Fund Balances								
Liabilities								
Vouchers payable	\$ -	\$ 1,000	\$ 101,827	\$ -	\$ 5,587	\$ -	\$ 27,670	\$ 136,084
Accrued and other liabilities	-	1,500	-	-	-	-	-	1,500
Due to other funds	-	-	76,443	-	-	-	-	76,443
Total liabilities	-	2,500	178,270	-	5,587	-	27,670	214,027
Fund Balances								
Reserved for prepaid costs	-	-	-	-	170,542	-	-	170,542
Unreserved:								
Undesignated	2,264,528	1,489,706	-	-	524,423	333,128	538,393	5,150,178
Designated	33,000	-	-	-	306,870	58,000	32,000	429,870
Total fund balances	2,297,528	1,489,706	-	-	1,001,835	391,128	570,393	5,750,590
Total liabilities and fund balances	\$ 2,297,528	\$ 1,492,206	\$ 178,270	\$ -	\$ 1,007,422	\$ 391,128	\$ 598,063	\$ 5,964,617

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2007**

Nonmajor Debt Service Funds			Nonmajor Capital Projects Fund	
Building Authority	Police Facility	Total Debt Service Funds	Fire Facility	Total Nonmajor Governmental Funds
\$ 45,799	\$ 135,900	\$ 181,699	\$ 65,765	\$ 5,556,212
-	73,090	73,090	-	73,090
-	-	-	-	42,773
-	-	-	-	249,597
-	71,727	71,727	-	86,414
-	-	-	-	178,270
-	-	-	-	170,542
<u>\$ 45,799</u>	<u>\$ 280,717</u>	<u>\$ 326,516</u>	<u>\$ 65,765</u>	<u>\$ 6,356,898</u>
\$ -	\$ -	\$ -	\$ 65,765	\$ 201,849
-	-	-	-	1,500
<u>3,750</u>	<u>-</u>	<u>3,750</u>	<u>-</u>	<u>80,193</u>
3,750	-	3,750	65,765	283,542
-	-	-	-	170,542
42,049	216,379	258,428	-	5,408,606
<u>-</u>	<u>64,338</u>	<u>64,338</u>	<u>-</u>	<u>494,208</u>
<u>42,049</u>	<u>280,717</u>	<u>322,766</u>	<u>-</u>	<u>6,073,356</u>
<u>\$ 45,799</u>	<u>\$ 280,717</u>	<u>\$ 326,516</u>	<u>\$ 65,765</u>	<u>\$ 6,356,898</u>

Charter Township of Clinton

	Nonmajor Special Revenue Funds						
	Capital		Community		Drug	Street Lighting	Total Special
	Improvement Revolving	Drainage	Development Block Grant	Postemployment Benefit			
Revenue							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 327,908	\$ 327,908
Special assessments	50,185	-	-	-	-	-	50,185
Federal sources	-	-	731,758	-	-	-	731,758
Interest	117,049	75,284	-	-	16,769	21,134	230,236
Other revenue	-	148,896	-	-	115,916	-	264,812
Total revenue	167,234	224,180	731,758	-	132,685	349,042	1,604,899
Expenditures							
Current:							
General government	227,448	-	731,758	60,453	-	-	1,019,659
Public safety	-	-	-	50,187	59,978	-	110,165
Public works	-	340,587	-	3,422	-	342,642	686,651
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	227,448	340,587	731,758	114,062	59,978	342,642	1,816,475
Excess of Revenue Over (Under)							
Expenditures	(60,214)	(116,407)	-	(114,062)	72,707	6,400	(211,576)
Other Financing Sources -							
Transfers in	14,687	-	-	-	-	-	14,687
Net Change in Fund Balances	(45,527)	(116,407)	-	(114,062)	72,707	6,400	(196,889)
Fund Balances - Beginning of year	2,343,055	1,606,113	-	1,115,897	318,421	563,993	5,947,479
Fund Balances - End of year	\$ 2,297,528	\$ 1,489,706	\$ -	\$ 1,001,835	\$ 391,128	\$ 570,393	\$ 5,750,590

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended March 31, 2007

Nonmajor Debt Service Funds			Nonmajor Capital Projects Fund		Total Nonmajor Governmental Funds
Building Authority	Police Facility	Total Debt Service Funds	Fire Facility		
\$ -	\$ 1,030,220	\$ 1,030,220	\$ -	\$ -	\$ 1,358,128
-	-	-	-	-	50,185
-	-	-	-	-	731,758
1,535	6,671	8,206	29,095	-	267,537
-	-	-	-	-	264,812
<u>1,535</u>	<u>1,036,891</u>	<u>1,038,426</u>	<u>29,095</u>	<u>-</u>	<u>2,672,420</u>
4,830	-	4,830	-	-	1,024,489
-	624	624	928,866	-	1,039,655
-	-	-	-	-	686,651
269,705	625,000	894,705	-	-	894,705
<u>161,435</u>	<u>483,188</u>	<u>644,623</u>	<u>-</u>	<u>-</u>	<u>644,623</u>
<u>435,970</u>	<u>1,108,812</u>	<u>1,544,782</u>	<u>928,866</u>	<u>-</u>	<u>4,290,123</u>
(434,435)	(71,921)	(506,356)	(899,771)	-	(1,617,703)
<u>431,141</u>	<u>-</u>	<u>431,141</u>	<u>-</u>	<u>-</u>	<u>445,828</u>
(3,294)	(71,921)	(75,215)	(899,771)	-	(1,171,875)
<u>45,343</u>	<u>352,638</u>	<u>397,981</u>	<u>899,771</u>	<u>-</u>	<u>7,245,231</u>
<u>\$ 42,049</u>	<u>\$ 280,717</u>	<u>\$ 322,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,073,356</u>

Charter Township of Clinton

Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds March 31, 2007

	Pension and Other Employee Benefit Trust Funds			Agency Funds			
	Fire and Police	Public Employee	Total	Tax Collection	Cash Bond	Trust and Agency	Total
	Pension System	Healthcare					
Assets							
Cash and investments	\$ 100,086,675	\$ 10,901,881	\$ 110,988,556	\$ 23,233	\$ 332,846	\$ 770,524	\$ 1,126,603
Cash and investments held as collateral for securities lending	7,474,893	-	7,474,893	-	-	-	-
Prepaid expenses and other	254,197	-	254,197	-	-	-	-
Total assets	\$ 107,815,765	\$ 10,901,881	\$ 118,717,646	\$ 23,233	\$ 332,846	\$ 770,524	\$ 1,126,603
Liabilities							
Benefits payable and other liabilities	\$ 1,242,537	\$ -	\$ 1,242,537	\$ -	\$ -	\$ -	\$ -
Due to other governmental units	-	-	-	23,233	-	-	23,233
Refundable bonds and deposits	-	-	-	-	332,846	770,524	1,103,370
Collateral for securities lending	7,474,893	-	7,474,893	-	-	-	-
Total liabilities	8,717,430	-	8,717,430	\$ 23,233	\$ 332,846	\$ 770,524	\$ 1,126,603
Net Assets - Held in trust for pension and other employee benefits							
	<u>99,098,335</u>	<u>10,901,881</u>	<u>110,000,216</u>				
Total liabilities and net assets	\$ 107,815,765	\$ 10,901,881	\$ 118,717,646				

Charter Township of Clinton

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended March 31, 2007

	Fire and Police Pension System Trust	Public Employee Health Care Fund	Total
Additions			
Contributions:			
Employee	\$ 933,717	\$ -	\$ 933,717
Township	2,902,650	1,100,000	4,002,650
Total contributions	3,836,367	1,100,000	4,936,367
Investment income:			
Interest and dividends	2,836,290	318,740	3,155,030
Net appreciation in fair value of investments	7,892,623	558,897	8,451,520
Less investment expenses	(497,231)	-	(497,231)
Net investment income	10,231,682	877,637	11,109,319
Securities lending income:			
Interest and fees	393,792	-	393,792
Less borrower rebates and fees	(384,920)	-	(384,920)
Net securities lending income	8,872	-	8,872
Total additions	14,076,921	1,977,637	16,054,558
Deductions			
Benefit payments	3,692,177	-	3,692,177
Administrative expenses	50,715	-	50,715
Total deductions	3,742,892	-	3,742,892
Net Increase	10,334,029	1,977,637	12,311,666
Net Assets Held in Trust for Pension Benefits			
Beginning of year	88,764,306	8,924,244	97,688,550
End of year	<u>\$ 99,098,335</u>	<u>\$ 10,901,881</u>	<u>\$ 110,000,216</u>