

**Charter Township of Clinton
Macomb County, Michigan**

**Financial Report
with Supplemental Information
March 31, 2011**

Charter Township of Clinton

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-13
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15-16
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	17
Reconciliation of the Balance Sheet to the Statement of Net Assets	18
Statement of Revenue, Expenditures, and Changes in Fund Balances	19
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Proprietary Funds:	
Statement of Net Assets	21
Statement of Revenue, Expenses, and Changes in Net Assets	22
Statement of Cash Flows	23-24
Fiduciary Funds:	
Statement of Net Assets	25
Statement of Changes in Net Assets	26
Component Units:	
Statement of Net Assets	27
Statement of Activities	28-29
Notes to Financial Statements	30-63
Required Supplemental Information	64
Budgetary Comparison Schedule - General Fund	65
Budgetary Comparison Schedule - Major Special Revenue Funds	66-67
Pension System Schedule of Funding Progress and Employer Contributions	68
Note to Required Supplemental Information	69

Charter Township of Clinton

Contents (Continued)

Other Supplemental Information	70
Nonmajor Governmental Funds:	
Combining Balance Sheet	71-72
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	73-74
Fiduciary Funds:	
Combining Statement of Net Assets	75
Combining Statement of Changes in Net Assets	76



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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 (the "Township") as of and for the year ended March 31, 2011, 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, 2011 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, pension system schedule of funding progress and employer contributions, and the budgetary comparison schedules, 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.

To the Board of Trustees
Charter Township of Clinton

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 September 21, 2011 on our consideration of the Charter Township of Clinton'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 read in conjunction with this report in considering the results of our audit.

During the year, the Township implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note 1. As a result of this implementation requirement, the Postemployment Benefit Fund, which was previously classified as a nonmajor special revenue fund, is now included with the activity of the General Fund. The Capital Improvement Revolving Fund, which was previously classified as a nonmajor special revenue fund, has been renamed to General Capital Projects Fund and is now classified as a nonmajor capital projects fund. In addition, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB Statement No. 54.

Plante & Moran, PLLC

September 21, 2011

Charter Township of Clinton

Management's Discussion and Analysis

Introduction

This discussion and analysis is included with the Charter Township of Clinton's (the "Township") financial report to provide an overview of the Township's financial activities for the fiscal year ended March 31, 2011. Please read it in conjunction with the financial statements.

Overview of this Annual Report

The basic financial statements section of this report consists of the government-wide financial statements, fund financial statements, and 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. There are two statements in this series, namely, a statement of net assets and a statement of activities. These government-wide statements are presented on pages 14-16. These two 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 17-29. 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-based financial statements report the Township's operations in more detail than the government-wide financial statements.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Government-wide Financial Statements

In a condensed format, the following table shows the comparison of net assets (in thousands) as of March 31, 2011 and 2010:

Summary Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current Assets	\$ 65,193.5	\$ 60,981.3	\$ 13,702.6	\$ 7,509.6	\$ 78,896.1	\$ 68,490.9
Noncurrent Assets						
Restricted assets	-	-	2,079.7	1,551.4	2,079.7	1,551.4
Special assessments	-	-	688.6	920.9	688.6	920.9
Capital assets	41,968.6	41,681.5	140,472.0	120,465.9	182,440.6	162,147.4
Total assets	107,162.1	102,662.8	156,942.9	130,447.8	264,105.0	233,110.6
Liabilities						
Current liabilities	7,532.2	6,119.4	5,597.4	4,309.3	13,129.6	10,428.7
Long-term liabilities	30,725.8	31,712.6	41,746.5	22,254.9	72,472.3	53,967.5
Total liabilities	38,258.0	37,832.0	47,343.9	26,564.2	85,601.9	64,396.2
Net Assets						
Invested in capital assets - Net of related debt	18,620.0	17,239.9	97,291.9	97,864.1	115,911.9	115,104.0
Restricted	38,412.2	38,013.8	2,341.4	1,835.0	40,753.6	39,848.8
Unrestricted	11,871.9	9,577.1	9,965.7	4,184.5	21,837.6	13,761.6
Total net assets	<u>\$ 68,904.1</u>	<u>\$ 64,830.8</u>	<u>\$ 109,599.0</u>	<u>\$ 103,883.6</u>	<u>\$ 178,503.1</u>	<u>\$ 168,714.4</u>

Total net assets related to the Township's governmental activities increased by approximately \$4.1 million. An approximate \$2.64 million increase resulted from revenue exceeding expenditures across most governmental funds due to the close monitoring of expenditures, unfilled full-time vacant positions due to retirements to keep staffing at a minimum, and the deferring of capital expenditures. An increase of \$1.35 million resulted from the recording of the Township's equity in the net assets of the 41B District Court (a joint venture that provides judiciary services to the City of Mount Clemens and the Charter Townships of Clinton and Harrison). Another \$200,000 of the increase in net assets is the result of a reduction in 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. Net assets were increased by approximately \$550,000 due to a decrease in accumulated sick and vacation pay liability.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

For the year ended March 31, 2011, the Township continues to record its liability/asset (in the Township's case for March 31, 2011, it is an asset) in accordance with Governmental Accounting Standards Board Statement No. 45 (GASB No. 45), *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement's rules cause the government-wide statements to recognize the cost of providing retiree healthcare coverage, as well as any "other" postemployment benefits (other than pensions), over the working life of the employee, rather than at the time the healthcare premiums are paid. The implementation of this pronouncement began on March 31, 2009 and resulted in an additional asset recorded at the government-wide level of \$899,000. This asset was reduced by \$80,000 to \$820,000 at March 31, 2010 and another \$116,000 to \$704,000 at March 31, 2011. The Township, in its 2011/2012 budget, plans to use this asset to offset the obligation for the fiscal year.

The remainder of the difference in net assets of the approximate \$600,000 decrease can be attributed to other timing differences.

The following table shows the changes in net assets (in thousands of dollars) during the years ended March 31, 2011 and 2010:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue						
Program revenue:						
Charges for services	\$ 3,222.1	\$ 2,916.2	\$ 33,556.5	\$ 27,946.1	\$ 36,778.6	\$ 30,862.3
Operating grants and contributions	3,365.1	2,877.8	208.2	-	3,573.3	2,877.8
Capital grants and contributions	2,101.9	219.0	1,818.4	387.0	3,920.3	606.0
General revenue:						
Property taxes	35,691.3	38,297.1	-	-	35,691.3	38,297.1
State-shared revenue	6,623.5	6,639.3	-	-	6,623.5	6,639.3
Interest	63.1	68.4	67.2	80.1	130.3	148.5
Miscellaneous	4,073.6	2,456.4	-	-	4,073.6	2,456.4
Total revenue	55,140.6	53,474.2	35,650.3	28,413.2	90,790.9	81,887.4
Program Expenses						
General government	4,367.6	4,581.1	-	-	4,367.6	4,581.1
Public safety	36,642.2	38,293.7	-	-	36,642.2	38,293.7
Public works	5,145.3	5,078.4	-	-	5,145.3	5,078.4
Recreation and culture	2,089.8	2,621.4	-	-	2,089.8	2,621.4
Community and economic development	1,510.9	715.6	-	-	1,510.9	715.6
Interest on long-term debt	1,332.0	1,364.4	-	-	1,332.0	1,364.4
Water and sewer	-	-	24,396.6	24,747.0	24,396.6	24,747.0
Senior housing	-	-	1,525.5	1,497.1	1,525.5	1,497.1
Sanitation	-	-	3,935.5	3,881.3	3,935.5	3,881.3
Special assessments	-	-	56.8	72.8	56.8	72.8
Total program expenses	51,087.8	52,654.6	29,914.4	30,198.2	81,002.2	82,852.8
Change in Net Assets - Before transfers	4,052.8	819.6	5,735.9	(1,785.0)	9,788.7	(965.4)
Transfers	20.5	76.3	(20.5)	(76.3)	-	-
Change in Net Assets	4,073.3	895.9	5,715.4	(1,861.3)	9,788.7	(965.4)
Net Assets - Beginning of year	64,830.8	63,934.9	103,883.6	105,744.9	168,714.4	169,679.8
Net Assets - End of year	\$ 68,904.1	\$ 64,830.8	\$ 109,599.0	\$ 103,883.6	\$ 178,503.1	\$ 168,714.4

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Property taxes are the primary source of revenue for the governmental activities, providing approximately 65 percent of the total. State-shared revenue provides another 12 percent, user charges provide 6 percent, and grants and contributions provide 10 percent, leaving only 7 percent being provided by all other sources.

Property taxes, the largest source of general government revenue, experienced a decrease of approximately 6.8 percent due to a decrease in taxable property values of 8 percent with an offset of 1.2 percent due to the Township's decision to comply with Truth in Taxation. This was the second decrease (last fiscal year experienced a 3 percent decrease) in property values that the Township has experienced in over 25 years.

State-shared revenue, our second largest source of general government revenue, continued at the reduced levels of recent years but remained the same as the previous year. The amount received from the State during the 2011 fiscal year was approximately \$3.6 million less than what the Township received in the 2002 fiscal year. The Township countered these reductions by leaving vacant the positions resulting from retirements to keep the effect on non-personnel related expenditures at a minimum. The Township continues to budget for staff reductions through attrition in its 2011/2012 budget to counter the continuance of revenue reductions being endured. 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. As a result, the Township is taking a proactive approach and including continued reductions of state-shared revenue in its three-year projections.

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

General Fund	Fire Fund
Police Fund	General Capital Projects Fund
Community Development Block Fund	Drainage Fund
Drug Forfeiture Fund	2010 Construction Fund
Building Authority Debt Fund	Street Lighting Fund
Police Facility Debt Fund	Neighborhood Stabilization Fund
41-B District Court Debt Fund	DEA Task Force Fund

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

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

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

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 restrictions placed on certain tax assessments or fund balances either by law or policy. Users of this financial report will best achieve this understanding from the fund-based statements.

Financial and Budgetary Highlights

General Fund - Overall, General Fund revenue stayed relatively the same as the prior year. The overall property tax revenue, which includes payment in lieu of taxes and prior year adjustments, has increased by approximately 1 percent. The reason tax revenue in the General Fund increased while the taxable values decreased by 8 percent, is due to the Township's decision to comply with Truth in Taxation, which caused the General Fund millage rate to increase by 13 percent from .7289 mills to .8245 mills. Tax adjustments from Board of Review and Tax Tribunal decisions caused an additional 4 percent reduction to tax revenue in the General Fund. The revenue from state sources, the General Fund's largest revenue source, decreased by 1.5 percent mainly due to a drop in state-shared revenue of 1 percent. Fees and permit revenue were up 44.6 percent mainly due to the rental inspection fees, which are required every two years, and a new registration and inspection fee required for abandoned residential properties. Interest income continued to decrease, resulting in a 57 percent reduction from the prior year due to declining market rates and fewer funds available to invest.

Total General Fund expenditures decreased by approximately 3.6 percent from the prior year. When preparing the 2010/2011 budget and over the course of the year, the Township board and administration continued to look for areas to trim expenditures. The originally adopted 2010/2011 budget contained the reduction of 10 full-time positions and those positions were eliminated during the course of the fiscal year. Conservative revenue projections, unfilled vacant positions, and carefully controlled spending resulted in favorable budget variances at year end.

During the year, the Township implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note I. As a result of implementing this new standard, the Postemployment Benefit Fund no longer met the definition of a special revenue type fund and accordingly the activity of this previously separately stated fund is now included in the activity of the General Fund for the year ended March 31, 2011. The result of implementing this standard had an effect on budgeted versus actual results of the General Fund. See Note I to the required supplemental information for more details.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Police Fund - Overall, Police Fund revenue decreased approximately 9.2 percent below the prior year. In August 2006, the voters approved a 1.5 mill property tax levy for the operation and maintenance of the police department. This levy, along with the ongoing five special assessment mills, generated \$18.0 million this year in the Police Fund, a decrease of 8.3 percent below the prior year. This is primarily due to the 8 percent reduction in property taxable value. The decision to comply with Truth in Taxation resulted in slightly higher tax revenue. Tax adjustments from Board of Review and Tax Tribunal decisions caused an additional 1.2 percent reduction to tax revenue in the Police Fund. The property tax revenue provides 93 percent of the revenue in the Police Fund. Other revenue in the Police Fund has decreased by 19 percent from the prior year mainly due to a reduction of state and federal grants received.

The voted 1.5 mill levy was approved for a 20-year period and was first levied on January 1, 2007. This mill is subject to both the Truth in Taxation and Headlee rollbacks. As a result of the Truth in Taxation compliance, the reduced levy of 1.4551 mills was restored back to 1.5 mills on the December 2010 tax roll.

Overall, Police Fund expenditures have decreased by 5.8 percent from the prior year. This decrease is due to reductions in staff through attrition throughout the fiscal year and in purchases in the prior year related to the state and federal grant revenue received during that year. Conservative revenue projections, unfilled vacant positions, and carefully controlled spending resulted in favorable budget variances at year end.

Fire Fund - Overall, Fire Fund revenue decreased approximately 2.5 percent from the prior year. The Fire Fund is supported by a 4 mill special assessment operating levy and a voter approved 1 mill operating 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 December 1, 2009 levy was reduced to .8647 and restored back to .9783 on December 1, 2010. This levy, along with the ongoing four special assessment mills, generated \$13.9 million this year in the Fire Fund, a decrease of 6.8 percent below the prior year. This is primarily due to the 8 percent reduction in property taxable value. The decision to comply with Truth in Taxation resulted in slightly higher tax revenue. Tax adjustments from Board of Review and Tax Tribunal decisions caused an additional 1.2 percent reduction to tax revenue in the Fire Fund. The property tax revenue provides 99.2 percent of the revenue in the Fire Fund. Included in the 2010/2011 revenue were proceeds from the sale of a fire truck in the amount of \$566,000.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Overall, Fire Fund expenditures have increased by approximately 1.0 percent above the prior year. Reduction in staffing levels took place during the fiscal year through layoffs and attrition. Seven firefighter positions were reduced through layoff in August 2010 and four other positions were eliminated through attrition. At the end of the fiscal year, March 2011, another 12 firefighters were laid off and subsequently hired back through a federal grant (SAFER) which will pay for the 12 positions, in full, for a duration of two years. The reason that expenditures reflect an increase over the prior year is that the increases in health care and other fringe benefits along with the vacation and sick accrual payouts offset the savings from the layoffs. However, the fund should experience savings in the future as the accrual payouts are a one-time cost. Conservative revenue projections, unfilled vacant positions, and carefully controlled spending resulted in favorable budget variances at year end. Revenue exceeded expenditures by approximately \$146,000; however, the \$566,000 net proceeds (which are being restricted for the purchase of replacement vehicles) from the sale of the fire truck is included. The true operating deficit in the fund is \$420,000.

Court Building Debt Service Fund - 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. As of December 31, 2010, the Township's share is 66 percent.

On August 1, 2006, \$13,500,000 of Township General Obligation Limited Tax Capital Improvement Bonds was issued for the construction of a new court building which is located in Clinton Township. The Court Building Debt Service Fund accounts for this debt service. It is intended that the debt service obligation for these bonds will be paid by the court from its revenue. Principal outstanding on this bond issue is \$12,550,000, with the last payment payable on April 1, 2031.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Water and Sewer Fund - The Water and Sewer Fund's financial performance, which has been sound for decades, faced some financial difficulties during the prior fiscal year due to cost overruns related to capital projects, increased rates for water purchases and sewage treatment, a decline in consumption, and not passing on the water and sewer rate increases in the prior year. Due to the financial difficulties stated, the Township instituted an additional 20 percent rate increase to its customers beginning February 1, 2010. In July 2010, the sewage rate was increased by 5.5 percent and additional fixed charges were instituted to pay for water and sewer cost increases, and for additional debt issued on the Township's behalf through the County of Macomb for the water and sewage disposal systems projects. Additional debt issued on behalf of the Township during the fiscal year was approximately \$22 million. 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.

For the fiscal year ended March 31, 2011, water and sewer operating revenue increased by 26.5 percent due to the two water and sewer rate and fixed charge increases instituted during the end of the prior fiscal year and during the current fiscal year, along with a 2 percent increase in consumption from the prior year. Operating expenses decreased by 1.4 percent. Despite the increase in water consumption during the year and increases in the water purchases and sewage treatment from the City of Detroit, a contributing factor in the decrease in operating expenses was a refund received from the City of Detroit for industrial waste charges overcharged in prior years of approximately \$500,000. Another contributing factor to the decrease in operating expenditures is the reduction in water and sewer personnel by seven positions through attrition throughout the fiscal year. The current year reflects a net nonoperating expenditure, which in the prior year was a net nonoperating revenue, which is mainly due to a significant decrease in debt, capital charges, and tap fees received. Contributions of water lines from developers of \$20,000 were significantly less than the prior year. Also included in capital contributions is \$1.8 million of debt forgiveness on the 2010 OMID Drainage District SRF Project. As a result, the total net assets in the Water and Sewer Fund increased by \$5.2 million.

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 188 one-bedroom and 124 two-bedroom apartments with monthly rents (including maintenance fee), during the fiscal year ended March 31, 2011, set between \$460 and \$540 for current residents, respectively, and between \$490 and \$570 for incoming residents, respectively.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

In addition to its normal operating expenditures, bonds were issued by the Township during the year, of which \$312,500 was earmarked for siding replacement on the Heritage Estates buildings. The bond proceeds along with a federal grant (the Energy Efficiency and Conservation Block grant for \$670,950) will be used in the subsequent fiscal year to complete the siding replacement project.

Sanitation Fund - The Sanitation Fund accounts for the collection and disposal of trash, recyclables, and compost materials. Except for the billing of customers and the brush chipping function, 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 \$13 per month. Last fiscal year saw the first increase in rates since February 2001. Residential customers pay approximately 75 percent of total rubbish charges collected.

The Sanitation Fund's net assets have increased by \$261,787. The rate increase instituted on February 1, 2010 provided the funding needed in this fund to avoid future decreases in net assets. During this fiscal year, the Township sought bids for refuse service. This resulted in the hiring of a new waste hauling company at a cost savings of 5 percent below the previous vendor.

The value of the Township's equity in the Grosse Pointe 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, decreased by \$66,021.

Capital Asset and Debt Administration

The Township's investment in capital assets devoted to its governmental activities had \$69.9 million historical cost invested in a wide range of capital assets, including land, buildings and improvements, furniture, equipment, and vehicles. Net capital assets net of accumulated depreciation amount to \$42.0 million.

The Township's investment in capital assets devoted to its business-type activities had \$217.8 million historical cost invested in a wide range of capital assets, including land, buildings and improvements, furniture, equipment, construction in progress, and vehicles. Also included in that total is the Township's investment in infrastructure such as water mains, sewer lines, and water meters. Additions during the year totaled \$23.8 million, resulting primarily from water main and sanitary sewer replacements and improvements.

As of March 31, 2011, the Township had approximately \$182.4 million in capital assets, net of accumulated depreciation (see Note 3 of the notes to the basic financial statements for additional information).

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

The Township issued 2010 Capital Improvement Limited Tax General Obligation Bonds in the amount of \$2.5 million during the fiscal year for the purpose of acquiring and constructing certain capital improvements consisting of the acquisition, construction, and furnishing of a new Department of Public Works facility, together with related equipment, site improvements, appurtenances and attachments thereto, and the renovation and equipping of the Heritage Estates senior housing facility. The Township's latest government bond rating occurred in September 2010 when Standard & Poor's Rating Services (S&P) assigned their municipal bond ratings of "AA" to the issue of the 2010 Limited Tax General Obligation Bonds. 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. Also included in the governmental activities are general obligation bonds for the construction and improvement of Township buildings.

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. During the fiscal year, additional debt was issued on behalf of the Township water and sewer system totaling \$22,378,041 for the Oakland-Macomb Interceptor, North Gratiot Interceptor, and the Macomb Interceptor Drain with the debt being applied on a percentage basis to each participating community (see Note 5 of the notes to the basic financial statements for additional information).

Economic Factors and Future Budgets

The Township is facing the same daunting challenges that are globally facing cities, villages, and townships throughout the state of Michigan. The state of Michigan economy continues to experience a slow recovery, high unemployment, home foreclosures, and significant decreases in property assessed values. There remains a structural funding problem facing communities in Michigan. The two major funding sources for the Township are property taxes and state-shared revenue. Both sources have shown significant declines over the past several years with no increases in funding expected for the next several years. Despite a reduction of 73 positions since 2002, continued expenditure reductions will be needed to offset the revenue shortfall. The Township government exists to provide services to its residents and therefore its primary costs are personnel related. For the past several years, governmental activities have struggled to keep a balanced budget since revenue, led by property taxes and state-shared revenue, could not keep pace with increases in expenditures such as compensation, health care, retiree health care, pension, utilities, and gasoline. Through the use of long-term planning, the Township will continue to balance its budget. Amid the steeply declining revenue affecting all communities, the Township continues to review all possible expenditure savings options as it prepares future budgets and in negotiating current and future labor contracts.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Property Tax Revenue

Property assessments have declined in the past two years and continued decreases are anticipated for 2011 and beyond. As a result of a decline in home prices, residential property assessments have decreased by 11 percent over the past two years. Further assessment declines will occur in 2011 and beyond, resulting in continued declining revenue to the Township. Additionally, when the housing market does recover, under Proposal A, taxable value losses will recover at a slower pace due to the mandated inflationary cap on property assessments.

State Revenue Sharing

The Township's second largest revenue source is state-shared revenue, which is distributed to communities from sales tax receipts collected by the State of Michigan. State-shared revenue, which provides 50 percent of the General Fund's revenue, continues to decrease as the State of Michigan struggles to balance its budget. The State has cut the Township's revenue sharing for nine consecutive years. The Township received \$3.7 million less in the 2010/2011 fiscal year than it received in the 2002/2003 fiscal year. State-shared revenue reductions equate to \$21.7 million cumulatively since 2002/2003. The Township anticipates further reductions in revenue-sharing payments due to the State's continued structural deficit problems and recent policy decisions being made to shift revenue-sharing funding away from municipalities.

Future Strategies Necessary

The Township remains proactive and is strategically planning for the future, while continuing to prepare a three-year forecast containing all of the factors listed above. Due to the Township's cost-cutting efforts, the Township is better positioned than most communities. Regularly updating the Township's financial forecast allowed the Township to take corrective action early on. The Township has low debt levels, high bond ratings, and excellent services funded by low property taxes and water and sewer rates. Expenditure reductions designed to control personnel costs through attrition and labor negotiations, as well as revenue enhancements, are being pursued, with the goal of maintaining an efficient labor force. The Township board and administration will further develop the Township's financial strategy and continue fiscal responsibility while maintaining as many core services as possible. The ultimate goal is to establish a budget that continues to fund vital services that provide a high quality of life and the high level of services our residents deserve and have come to expect.

Charter Township of Clinton

Statement of Net Assets March 31, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 52,176,377	\$ 6,653,666	\$ 58,830,043	\$ 365,898
Receivables:				
Taxes - Net of reserve for uncollectible taxes	3,027,197	-	3,027,197	-
Customers	30,012	5,217,807	5,247,819	-
Interest	-	-	-	394
Other	1,211,379	23,957	1,235,336	-
Due from other governmental units	5,886,425	446,559	6,332,984	21,237
Special assessments - Current	-	88,563	88,563	-
Due from component units	8,721	-	8,721	-
Internal balances (Note 4)	5,140	(5,140)	-	-
Inventories	-	307,579	307,579	-
Prepaid costs and other	800,336	25,878	826,214	-
Restricted assets (Note 6)	-	2,079,734	2,079,734	-
Investment in joint ventures (Note 12)	1,344,359	661,379	2,005,738	-
Net other postemployment benefit asset (Note 9)	703,504	-	703,504	-
Capital assets:				
Not depreciated (Note 3)	3,496,611	26,922,628	30,419,239	-
Depreciated - Net (Note 3)	38,472,000	113,549,379	152,021,379	741,457
Other amortizable noncurrent assets	-	302,338	302,338	-
Special assessment - Net of current portion	-	668,565	668,565	-
Total assets	107,162,061	156,942,892	264,104,953	1,128,986
Liabilities				
Vouchers payable	832,934	2,222,172	3,055,106	-
Due to primary government	-	-	-	8,721
Accrued and other liabilities	2,314,758	409,293	2,724,051	-
Deferred revenue (Note 11)	47,323	-	47,323	-
Noncurrent liabilities:				
Due within one year (Note 5)	4,337,157	2,965,945	7,303,102	-
Due in more than one year (Note 5)	30,725,786	41,746,523	72,472,309	-
Total liabilities	38,257,958	47,343,933	85,601,891	8,721
Net Assets				
Invested in capital assets - Net of related debt	18,619,933	98,126,403	116,746,336	741,457
Restricted for:				
Fire department services	15,064,898	-	15,064,898	-
Police department services	21,501,223	-	21,501,223	-
Street light services	404,993	-	404,993	-
Drug forfeiture activities	610,212	-	610,212	-
Debt service	182,270	261,642	443,912	-
Bond covenants (Note 6)	-	1,557,759	1,557,759	-
Drainage services	526,839	-	526,839	-
DEA task force	21,825	-	21,825	-
Assets held at county (Note 6)	-	521,975	521,975	-
Transportation	100,000	-	100,000	-
Unrestricted	11,871,910	9,131,180	21,003,090	378,808
Total net assets	\$ 68,904,103	\$ 109,598,959	\$ 178,503,062	\$ 1,120,265

The Notes to Financial Statements are an
Integral Part of this Statement.

Charter Township of Clinton

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 4,367,562	\$ 1,030,543	\$ 3,054,295	\$ 2,063,509
Public safety	36,642,225	492,006	310,755	38,341
Public works	5,145,259	1,146,309	-	-
Community and economic development	1,510,884	-	-	-
Recreation and senior activities	2,089,812	553,221	-	-
Interest on long-term debt	1,331,977	-	-	-
Total governmental activities	<u>51,087,719</u>	<u>3,222,079</u>	<u>3,365,050</u>	<u>2,101,850</u>
Business-type activities:				
Water and sewer	24,396,496	27,545,279	208,157	1,818,386
Senior housing	1,525,544	1,814,751	-	-
Sanitation	3,935,519	4,196,541	-	-
Special assessments	56,847	-	-	-
Total business-type activities	<u>29,914,406</u>	<u>33,556,571</u>	<u>208,157</u>	<u>1,818,386</u>
Total primary government	<u>\$ 81,002,125</u>	<u>\$ 36,778,650</u>	<u>\$ 3,573,207</u>	<u>\$ 3,920,236</u>
Component units:				
Economic Development Corporation	\$ 5,563	\$ -	\$ -	\$ -
Downtown Development Authority	21,597	-	-	-
Total component units	<u>\$ 27,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenue:

Property taxes
 State-shared revenue
 Interest and investment earnings
 Other miscellaneous income
 Gain on sale of fixed assets
 Income from joint venture

Total general revenue

Transfers (Note 4)

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

Statement of Activities
Year Ended March 31, 2011

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ 1,780,785	\$ -	\$ 1,780,785	\$ -
(35,801,123)	-	(35,801,123)	-
(3,998,950)	-	(3,998,950)	-
(1,510,884)	-	(1,510,884)	-
(1,536,591)	-	(1,536,591)	-
(1,331,977)	-	(1,331,977)	-
(42,398,740)	-	(42,398,740)	-
-	5,175,326	5,175,326	-
-	289,207	289,207	-
-	261,022	261,022	-
-	(56,847)	(56,847)	-
-	5,668,708	5,668,708	-
(42,398,740)	5,668,708	(36,730,032)	-
-	-	-	(5,563)
-	-	-	(21,597)
-	-	-	(27,160)
35,691,282	-	35,691,282	174,220
6,623,540	-	6,623,540	-
63,063	67,186	130,249	4,705
2,406,810	-	2,406,810	223,650
322,477	-	322,477	-
1,344,359	-	1,344,359	-
46,451,531	67,186	46,518,717	402,575
20,533	(20,533)	-	-
4,073,324	5,715,361	9,788,685	375,415
64,830,779	103,883,598	168,714,377	744,850
\$ 68,904,103	\$ 109,598,959	\$ 178,503,062	\$ 1,120,265

Charter Township of Clinton

Governmental Funds Balance Sheet March 31, 2011

	Major Special Revenue Funds			Major Debt Service Fund	Other	Total
	General Fund	Fire Fund	Police Fund	Court Building Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments (Note 2)	\$ 10,524,035	\$ 14,754,816	\$ 20,487,592	\$ -	\$ 6,409,934	\$ 52,176,377
Receivables:						
Taxes	456,080	1,079,623	1,409,653	-	81,841	3,027,197
Customers	-	-	-	-	30,012	30,012
Other	709,031	9,929	461,210	-	31,209	1,211,379
Due from other governmental units	1,591,030	-	-	4,267,000	28,395	5,886,425
Due from component units	8,721	-	-	-	-	8,721
Due from other funds (Note 4)	460,384	-	-	-	20,533	480,917
Prepaid costs and other	529,942	47,728	23,492	-	-	601,162
Total assets	\$ 14,279,223	\$ 15,892,096	\$ 22,381,947	\$ 4,267,000	\$ 6,601,924	\$ 63,422,190
Liabilities and Fund Balances						
Liabilities						
Vouchers payable	\$ 277,424	\$ 230,325	\$ 242,261	\$ -	\$ 82,924	\$ 832,934
Due to other funds (Note 4)	-	-	-	-	475,777	475,777
Accrued and other liabilities	388,167	596,873	591,140	-	1,500	1,577,680
Deferred revenue (Note 11)	551,242	-	47,323	4,267,000	-	4,865,565
Total liabilities	1,216,833	827,198	880,724	4,267,000	560,201	7,751,956
Fund Balances						
Nonspendable - Prepays	529,942	47,728	23,492	-	-	601,162
Restricted:						
Drainage	-	-	-	-	526,839	526,839
Police (\$13,110,497 for 2012 operations)	-	-	21,477,731	-	-	21,477,731
Fire (\$566,000 to purchase fire truck, \$9,758,425 for 2012 operations)	-	15,017,170	-	-	-	15,017,170
Debt service	-	-	-	-	182,270	182,270
Drug forfeiture	-	-	-	-	610,212	610,212
Street lighting	-	-	-	-	404,993	404,993
Accumulated long-term health benefits	467,464	-	-	-	-	467,464
DEA task force	-	-	-	-	21,825	21,825
Capital projects	-	-	-	-	2,020,923	2,020,923
Transportation	-	-	-	-	100,000	100,000
Assigned:						
For subsequent year's budget	288,680	-	-	-	-	288,680
Workers' compensation claims	250,000	-	-	-	-	250,000
Accumulated long-term benefits	294,974	-	-	-	-	294,974
Capital projects (Note 14)	-	-	-	-	2,174,661	2,174,661
Unassigned	11,231,330	-	-	-	-	11,231,330
Total fund balances	13,062,390	15,064,898	21,501,223	-	6,041,723	55,670,234
Total liabilities and fund balances	\$ 14,279,223	\$ 15,892,096	\$ 22,381,947	\$ 4,267,000	\$ 6,601,924	\$ 63,422,190

The Notes to Financial Statements are an Integral Part of this Statement.

Charter Township of Clinton

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets March 31, 2011

Fund Balance Reported in Governmental Funds	\$ 55,670,234
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	41,968,611
Investments in joint ventures are not financial resources and are not reported in the funds	1,344,359
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures	4,818,242
Notes and bonds payable are not due and payable in the current period and are not reported in the funds	(31,017,101)
Accrued interest is not due and payable in the current period and is not reported in the funds	(77,534)
Accrued workers' compensation liability is not reported in the governmental funds	(659,544)
Net other postemployment benefit asset is not reported in the governmental funds	703,504
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(4,045,842)
Debt issuance costs treated as an expenditure in a prior period in the governmental funds have been capitalized and are being amortized over the life of the related debt in the governmental activities	199,174
Net Assets of Governmental Activities	<u>\$ 68,904,103</u>

Charter Township of Clinton

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2011

	Major Special Revenue Funds			Major Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Fire Fund	Police Fund	Court Building Debt Service Fund		
Revenue						
Property taxes	\$ 2,510,284	\$ 13,887,974	\$ 17,995,972	\$ -	\$ 1,462,242	\$ 35,856,472
Licenses and permits	942,271	-	59,580	-	-	1,001,851
Federal sources	42,335	62,900	69,948	-	1,993,496	2,168,679
State sources	6,844,043	-	216,248	-	-	7,060,291
Fines and forfeitures	-	-	-	-	21,825	21,825
Interest	23,072	32,200	46,245	-	7,791	109,308
Other revenue	3,333,843	10,820	853,530	808,200	421,143	5,427,536
Total revenue	13,695,848	13,993,894	19,241,523	808,200	3,906,497	51,645,962
Expenditures						
Current:						
General government	4,978,742	-	-	-	783,958	5,762,700
Public safety	1,429,464	13,689,857	18,886,057	-	102,818	34,108,196
Public works	3,528,812	-	-	-	787,030	4,315,842
Community and economic development	459,670	-	-	-	1,051,214	1,510,884
Recreation and senior activities	2,128,349	-	-	-	-	2,128,349
Capital outlay	-	-	-	-	641,388	641,388
Debt service:						
Principal	-	350,000	-	250,000	1,106,499	1,706,499
Interest	-	278,375	-	558,200	455,481	1,292,056
Total expenditures	12,525,037	14,318,232	18,886,057	808,200	4,928,388	51,465,914
Excess of Revenue Over (Under) Expenditures	1,170,811	(324,338)	355,466	-	(1,021,891)	180,048
Other Financing Sources (Uses)						
Face value of debt issue	-	-	-	-	2,521,905	2,521,905
Proceeds from sale of capital assets	670	569,672	32,323	-	7,300	609,965
Transfers in (Note 4)	-	-	125,000	-	416,498	541,498
Transfers out (Note 4)	(296,830)	(99,135)	-	-	(125,000)	(520,965)
Bond issuance costs	-	-	-	-	(84,149)	(84,149)
Total other financing sources (uses)	(296,160)	470,537	157,323	-	2,736,554	3,068,254
Net Change in Fund Balances	874,651	146,199	512,789	-	1,714,663	3,248,302
Fund Balances - Beginning of year (Note 16)	12,187,739	14,918,699	20,988,434	-	4,327,060	52,421,932
Fund Balances - End of year	\$ 13,062,390	\$ 15,064,898	\$ 21,501,223	\$ -	\$ 6,041,723	\$ 55,670,234

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, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ 3,248,302
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay and donated assets	3,041,949
Depreciation expense	(2,467,397)
Net book value of assets disposed of	(287,488)
Revenue that was previously unavailable and accordingly deferred in the governmental funds was recognized in the current year; this revenue was reported when earned in the statement of activities	(607,239)
Loan proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets	(2,521,905)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,706,499
Interest expense is recorded in the statement of activities when incurred; it is not reported in the governmental funds until paid	(29,962)
The net other postemployment benefit asset is reduced by the difference between the actuarial required contributions for postemployment benefits compared to the actual contributions remitted	(116,389)
Decrease in accumulated workers' compensation accrual increases net assets in the statement of activities	222,111
Debt issuance costs are expensed when incurred in the governmental funds; they are capitalized and amortized over the life of the loan in the statement of activities	(9,959)
Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	550,443
Income from joint ventures is not recorded in the funds	<u>1,344,359</u>
Change in Net Assets of Governmental Activities	<u>\$ 4,073,324</u>

Charter Township of Clinton

Proprietary Funds Statement of Net Assets March 31, 2011

	Major Funds			Nonmajor Proprietary Fund	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	
Assets					
Current assets:					
Cash and investments (Note 2)	\$ 5,724,791	\$ 257,327	\$ 199,941	\$ 471,607	\$ 6,653,666
Receivables:					
Special assessments	-	-	-	88,563	88,563
Customers	4,405,987	-	811,820	-	5,217,807
Other	-	23,957	-	-	23,957
Due from other governmental units	446,559	-	-	-	446,559
Due from other funds (Note 4)	-	312,500	110,258	2,500	425,258
Inventories	307,579	-	-	-	307,579
Prepaid costs and other	15,572	10,306	-	-	25,878
Total current assets	<u>10,900,488</u>	<u>604,090</u>	<u>1,122,019</u>	<u>562,670</u>	<u>13,189,267</u>
Noncurrent assets:					
Restricted assets (Notes 2 and 6)	2,079,734	-	-	-	2,079,734
Special assessment - Net of current portion	-	-	-	668,565	668,565
Investment in joint ventures (Note 12)	-	-	661,379	-	661,379
Capital assets - Net (Note 3)	129,648,903	10,699,234	123,870	-	140,472,007
Bond issuance costs	302,338	-	-	-	302,338
Total noncurrent assets	<u>132,030,975</u>	<u>10,699,234</u>	<u>785,249</u>	<u>668,565</u>	<u>144,184,023</u>
Total assets	<u>142,931,463</u>	<u>11,303,324</u>	<u>1,907,268</u>	<u>1,231,235</u>	<u>157,373,290</u>
Liabilities					
Current liabilities:					
Vouchers payable	1,913,438	20,269	288,465	-	2,222,172
Due to other funds (Note 4)	400,805	-	-	29,593	430,398
Accrued and other liabilities	256,316	152,977	-	-	409,293
Compensated absences - Less than one year (Note 5)	74,979	-	-	-	74,979
Current portion of long-term debt (Note 5)	1,796,941	884,025	-	210,000	2,890,966
Total current liabilities	<u>4,442,479</u>	<u>1,057,271</u>	<u>288,465</u>	<u>239,593</u>	<u>6,027,808</u>
Noncurrent liabilities:					
Compensated absences - Greater than one year (Note 5)	174,950	-	-	-	174,950
Refundable bonds and deposits	239,420	103,040	-	-	342,460
Long-term debt (Note 5)	34,249,895	6,249,218	-	730,000	41,229,113
Total noncurrent liabilities	<u>34,664,265</u>	<u>6,352,258</u>	<u>-</u>	<u>730,000</u>	<u>41,746,523</u>
Total liabilities	<u>39,106,744</u>	<u>7,409,529</u>	<u>288,465</u>	<u>969,593</u>	<u>47,774,331</u>
Net Assets					
Invested in capital assets - Net of related debt	94,124,042	3,878,491	123,870	-	98,126,403
Restricted for:					
Assets held at the county (Note 6)	521,975	-	-	-	521,975
Bond covenants (Note 6)	1,557,759	-	-	-	1,557,759
Debt service	-	-	-	261,642	261,642
Unrestricted	7,620,943	15,304	1,494,933	-	9,131,180
Total net assets	<u>\$ 103,824,719</u>	<u>\$ 3,893,795</u>	<u>\$ 1,618,803</u>	<u>\$ 261,642</u>	<u>\$ 109,598,959</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

Charter Township of Clinton

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2011

	Major Funds			Nonmajor Proprietary Fund	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	
Operating Revenue					
Charges for sales and services	\$ 26,900,420	\$ -	\$ 4,193,531	\$ -	\$ 31,093,951
Rent	-	1,794,766	-	-	1,794,766
Other	360,407	19,985	3,010	-	383,402
Total operating revenue	27,260,827	1,814,751	4,196,541	-	33,272,119
Operating Expenses					
Cost of water and sewage disposal	13,120,932	-	-	-	13,120,932
Operation and maintenance	1,003,839	783,094	3,851,219	9,060	5,647,212
General and administrative	1,902,183	-	-	-	1,902,183
Salaries and fringe benefits	4,357,860	-	-	-	4,357,860
Depreciation	3,436,456	362,440	18,279	-	3,817,175
Total operating expenses	23,821,270	1,145,534	3,869,498	9,060	28,845,362
Operating Income (Loss)	3,439,557	669,217	327,043	(9,060)	4,426,757
Nonoperating Revenue (Expenses)					
Investment income	13,359	146	765	52,916	67,186
Interest expense	(560,973)	(380,010)	-	(47,787)	(988,770)
Other nonoperating expenses	(14,253)	-	(66,021)	-	(80,274)
Debt, capital charges, and tap fees	284,452	-	-	-	284,452
Federal revenue	208,157	-	-	-	208,157
Income (Loss) - Before contributions and transfers	3,370,299	289,353	261,787	(3,931)	3,917,508
Capital Contributions - Lines donated by developers and other governmental units	1,818,386	-	-	-	1,818,386
Transfers In from Other Funds (Note 4)	-	-	-	2,500	2,500
Transfers Out to Other Funds (Note 4)	(2,500)	-	-	(20,533)	(23,033)
Increase (Decrease) in Net Assets	5,186,185	289,353	261,787	(21,964)	5,715,361
Net Assets - Beginning of year	98,638,534	3,604,442	1,357,016	283,606	103,883,598
Net Assets - End of year	\$ 103,824,719	\$ 3,893,795	\$ 1,618,803	\$ 261,642	\$ 109,598,959

Charter Township of Clinton

Proprietary Funds Statement of Cash Flows Year Ended March 31, 2011

	Major Funds			Nonmajor Proprietary Fund	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	
Cash Flows from Operating Activities					
Receipts from customers	\$ 26,304,799	\$ 1,814,751	\$ 4,043,817	\$ 241,019	\$ 32,404,386
Payments to suppliers	(15,620,497)	(812,698)	(3,475,842)	(12,522)	(19,921,559)
Payments to employees	(4,340,998)	-	(387,309)	-	(4,728,307)
Net cash provided by operating activities	6,343,304	1,002,053	180,666	228,497	7,754,520
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	-	-	-	600	600
Transfers to other funds	(2,500)	-	-	(76,308)	(78,808)
Advances from other funds	(46,243)	-	-	-	(46,243)
Repayments of loans from other governmental units	-	-	-	192,431	192,431
Net cash (used in) provided by noncapital financing activities	(48,743)	-	-	116,723	67,980
Cash Flows from Capital and Related Financing Activities					
Purchase of capital assets	(260,774)	(29,008)	-	-	(289,782)
Principal, issuance costs, and interest paid on capital debt	(2,149,279)	(1,088,359)	-	(367,787)	(3,605,425)
Collection of debt, capital charges, and tap fees	284,452	-	-	-	284,452
Net cash used in capital and related financing activities	(2,125,601)	(1,117,367)	-	(367,787)	(3,610,755)
Cash Flows from Investing Activities - Interest received on investments	13,359	146	765	52,916	67,186
Net Increase (Decrease) in Cash and Cash Equivalents	4,182,319	(115,168)	181,431	30,349	4,278,931
Cash and Cash Equivalents - Beginning of year	3,100,231	372,495	18,510	441,258	3,932,494
Cash and Cash Equivalents - End of year	<u>\$ 7,282,550</u>	<u>\$ 257,327</u>	<u>\$ 199,941</u>	<u>\$ 471,607</u>	<u>\$ 8,211,425</u>

Charter Township of Clinton

Proprietary Funds Statement of Cash Flows (Continued) Year Ended March 31, 2011

	Major Funds			Nonmajor Proprietary Fund	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	
Balance Sheet Classification of Cash and Cash Equivalents					
Cash and investments per balance sheet	\$ 5,724,791	\$ 257,327	\$ 199,941	\$ 471,607	\$ 6,653,666
Restricted cash and cash investments	1,557,759	-	-	-	1,557,759
Total cash and cash equivalents	<u>\$ 7,282,550</u>	<u>\$ 257,327</u>	<u>\$ 199,941</u>	<u>\$ 471,607</u>	<u>\$ 8,211,425</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 3,439,557	\$ 669,217	\$ 327,043	\$ (9,060)	\$ 4,426,757
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	3,436,456	362,440	18,279	-	3,817,175
Changes in assets and liabilities:					
Receivables	(956,028)	(23,957)	(42,890)	241,019	(781,856)
Due from others	-	-	(109,834)	-	(109,834)
Inventories	(114,362)	-	-	-	(114,362)
Prepaid and other assets	(9,497)	-	-	-	(9,497)
Accounts payable	533,348	(8,022)	(11,932)	-	513,394
Due to others	(13,073)	-	-	9,060	(4,013)
Deposits	-	2,375	-	-	2,375
Accrued and other liabilities	26,903	-	-	(12,522)	14,381
Net cash provided by operating activities	<u>\$ 6,343,304</u>	<u>\$ 1,002,053</u>	<u>\$ 180,666</u>	<u>\$ 228,497</u>	<u>\$ 7,754,520</u>
Significant Noncash Investing and Financing Transactions					
Contribution of capital assets from developers and other funds	\$ 1,818,386	\$ -	\$ -	\$ -	\$ 1,818,386
Capital asset additions related to County interceptor projects	21,562,303	-	-	-	21,562,303

Charter Township of Clinton

Fiduciary Funds Statement of Net Assets March 31, 2011

	Pension and Other Employee Benefit Trust Funds	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 1,958,907	\$ 568,857
Investments:		
Bank investment pools	3,634,790	-
Money market funds	2,407,670	-
U.S. Treasury notes	1,469,418	-
Mutual funds	43,611,101	-
Common stock	38,169,095	-
U.S. government agency securities	3,201,994	-
Corporate bonds	15,374,376	-
Hedge funds	9,231,406	-
Real estate investment trusts	3,222,112	-
Limited partnerships	14,740,761	-
Receivables	-	176,385
Total assets	137,021,630	\$ 745,242
Liabilities		
Benefits payable and other liabilities	2,515,402	\$ 1,415
Due to other governmental units	-	8,295
Due to component units	-	21,237
Due to primary government	-	93,044
Refundable bonds and deposits	-	621,251
Collateral for securities lending	3,703,890	-
Total liabilities	6,219,292	\$ 745,242
Net Assets Held in Trust for Pension Systems and Other Employee Benefits	\$ 130,802,338	

Charter Township of Clinton

Fiduciary Funds Statement of Changes in Net Assets Year Ended March 31, 2011

	Pension and Other Employee Benefit Trust Funds
Additions	
Investment income (loss):	
Interest and dividends	\$ 2,378,185
Net appreciation in fair value of investments	11,231,599
Investment expenses	<u>(591,365)</u>
Net investment income	13,018,419
Securities lending income:	
Interest and fees	10,015
Less borrower rebates and fees	<u>(5,774)</u>
Net securities lending income	4,241
Contributions:	
Township	7,725,119
Employee	<u>1,172,885</u>
Total contributions	<u>8,898,004</u>
Total additions	21,920,664
Deductions	
Benefit payments and annuity withdrawals	9,105,448
Administrative expenses	<u>44,539</u>
Total deductions	<u>9,149,987</u>
Net Increase in Net Assets Held in Trust	12,770,677
Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>118,031,661</u>
Net Assets Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 130,802,338</u>

Charter Township of Clinton

Component Units Statement of Net Assets March 31, 2011

	Economic Development Corporation	Downtown Development Authority	Total
Assets			
Cash and investments (Note 2)	\$ 109,993	\$ 255,905	\$ 365,898
Receivables:			
Interest	394	-	394
Due from other governmental units	-	21,237	21,237
Capital assets being depreciated - Net (Note 3)	-	741,457	741,457
Total assets	110,387	1,018,599	1,128,986
Liabilities - Due to primary government	8,397	324	8,721
Net Assets			
Invested in capital assets - Net of related debt	-	741,457	741,457
Unrestricted	101,990	276,818	378,808
Total net assets	<u>\$ 101,990</u>	<u>\$ 1,018,275</u>	<u>\$ 1,120,265</u>

Charter Township of Clinton

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Economic Development Corporation - Public works	\$ 5,563	\$ -	\$ -	\$ -
Downtown Development Authority - Public works	21,597	-	-	-
Total component units	\$ 27,160	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
Interest and investment earnings				
Other miscellaneous income				
Total general revenue				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

**Component Units
Statement of Activities
Year Ended March 31, 2011**

Net (Expense) Revenue and Changes in Net Assets		
Economic Development Corporation	Downtown Development Authority	Total
\$ (5,563)	\$ -	\$ (5,563)
-	(21,597)	(21,597)
(5,563)	(21,597)	(27,160)
-	174,220	174,220
3,421	1,284	4,705
-	223,650	223,650
3,421	399,154	402,575
(2,142)	377,557	375,415
104,132	640,718	744,850
\$ 101,990	\$ 1,018,275	\$ 1,120,265

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 1 - Nature of Business and 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 Account 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.

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.

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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. Complete financial statements of the DDA are available at the Township clerk's office.

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 revenue, 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 revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (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 revenue are reported instead as general revenue.

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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 revenue to be available if it is 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. 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.

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 the resources from property tax revenue that are restricted 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 the resources from property tax revenue that are restricted 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.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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.

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. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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 effect of interfund activity has 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 revenue 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.

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the Township's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Township's policy to spend funds in this order: committed, assigned, and unassigned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our 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 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.

Property Tax Revenue

Property taxes are liened 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.

The 2010 taxable valuation (real and personal property) of the Township totaled \$2,932,407,131, on which ad valorem taxes levied consisted of .8245 mills for the Township's operating purposes, .9783 mills for fire operating purposes, 1.50 mills for police operating purposes, and .37 mills for the retirement of police building debt. The ad valorem taxes generated \$2,417,770 for general operations, \$2,868,774 for fire operations, \$4,398,611 for police operations, and \$1,084,991 for police building debt retirement. The 2010 real property taxable valuation of the Township totaled \$2,731,612,931, on which special assessments levied consisted of 5 mills for police operations and 4 mills for fire operations. The special assessment levies generated \$13,658,065 for police operations and \$10,926,452 for fire operations. The industrial facilities tax roll generated \$21,217 for general operations, \$114,763 for police operations, \$86,105 for fire operations, and \$9,521 for police building debt retirement. These amounts are recorded in their respective funds as tax revenue.

Note I - Nature of Business and Significant Accounting Policies (Continued)

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." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items - 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 items 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.

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.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, \$674,777 of interest expense was capitalized as part of the cost of assets under construction.

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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

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

Compensated Absences (Vacation and Sick Leave) - The Township allows employees to accumulate earned but unused sick and vacation pay benefits. The government-wide and proprietary fund 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. 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.

Pension and Other Postemployment Benefit Costs - The Township offers both pension and retiree healthcare benefits to retirees. The Township receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the Township reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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

In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable** - Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted** - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed** - Amounts that have been formally set aside by the board of trustees for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board of trustees.
- **Assigned** - Intent to spend resources on specific purposes expressed by the governing body or the director of finance, who is authorized by resolution approved by the governing body, to make assignments
- **Unassigned** - Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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, 2010		\$ (4,594,000)
Fiscal 2011 building department activity:		
Permit revenue	\$ 942,000	
Expenditures	<u>(1,166,000)</u>	
Excess of expenditures over revenue		<u>(224,000)</u>
Cumulative expenditures over revenue - March 31, 2011		<u>\$ (4,818,000)</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 16 financial institutions 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 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.

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 2 - Deposits and Investments (Continued)

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, 2011, 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. 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, 2011 was one day. 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, 2011, 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, 2011 were \$3,703,890 and \$3,611,636, 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 \$64 million of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized as they exceeded the limits of FDIC insurance or were not held with a financial institution participating in the temporary liquidity guarantee program. 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.

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 2 - Deposits and Investments (Continued)

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 \$162,000 of bank deposits (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.

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	\$ 15,374,376	Counterparty
Real estate investment trusts	3,222,111	Counterparty
Limited partnerships	14,740,761	Counterparty
Equity securities	38,169,095	Counterparty
Foreign mutual funds	5,229,693	Counterparty
Mutual funds	17,870,830	Counterparty
United States Treasury bonds	1,469,418	Counterparty
United States government agencies	3,201,994	Counterparty
Total uninsured and unregistered	\$ 99,278,278	

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 2 - Deposits and Investments (Continued)

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	Less Than 6 Years	6-15 Years	Greater Than 15 Years
	Pension Trust Funds			
Bank investment pool	\$ 3,634,790	\$ 3,634,790	\$ -	\$ -
U.S. government or agency securities	4,671,412	1,123,729	505,580	3,042,103
Corporate bonds	15,374,376	4,688,339	5,245,858	5,440,179

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 are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 22,227,446	AAA	Moody's
Bank investment pool	17,580,359	Not rated	N/A
Bank investment pool	2,302,665	AAAm	Standard & Poor's
Corporate bonds	15,374,376	AAA - BBB-	Standard & Poor's
U.S. Treasury	1,469,418	AAA	Standard & Poor's
U.S. government agency	3,201,994	Not rated	N/A

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.

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

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	\$ 33,458	Australian dollar
Foreign mutual fund holdings	424,643	Canadian dollar
Foreign mutual fund holdings	208,674	Chinese yuan
Foreign mutual fund holdings	21,503	Euro
Foreign mutual fund holdings	1,624,830	British pound
Foreign mutual fund holdings	529,018	Malaysian ringgit
Foreign mutual fund holdings	488,574	Norwegian krone
Foreign mutual fund holdings	316,797	Mexican peso
Foreign mutual fund holdings	28,658	New Zealand dollar
Foreign mutual fund holdings	753,904	Polish zloty
Foreign mutual fund holdings	315,956	South African rand
Foreign mutual fund holdings	483,678	South Korean won

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 3 - Capital Assets

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

Governmental Activities	Balance April 1, 2010	Additions	Disposals	Balance March 31, 2011
Capital assets not being depreciated -				
Land	\$ 3,411,611	\$ 85,000	\$ -	\$ 3,496,611
Capital assets being depreciated:				
Buildings and building improvements	40,605,760	1,101,409	-	41,707,169
Operating equipment	5,844,451	184,579	(111,028)	5,918,002
Vehicles	8,069,399	157,088	(1,157,497)	7,068,990
Office furniture and equipment	6,129,393	5,489	(127,118)	6,007,764
Land improvements	1,764,431	1,173,979	-	2,938,410
Infrastructure assets	2,381,446	334,405	-	2,715,851
Subtotal	64,794,880	2,956,949	(1,395,643)	66,356,186
Accumulated depreciation:				
Buildings and building improvements	9,751,092	1,062,510	-	10,813,602
Operating equipment	3,380,963	471,102	(74,359)	3,777,706
Vehicles	6,066,247	597,040	(906,678)	5,756,609
Office furniture and equipment	5,783,330	192,617	(127,118)	5,848,829
Land improvements	1,401,015	96,499	-	1,497,514
Infrastructure assets	142,297	47,629	-	189,926
Subtotal	26,524,944	2,467,397	(1,108,155)	27,884,186
Net capital assets being depreciated	38,269,936	489,552	(287,488)	38,472,000
Net capital assets	<u>\$ 41,681,547</u>	<u>\$ 574,552</u>	<u>\$ (287,488)</u>	<u>\$ 41,968,611</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 3 - Capital Assets (Continued)

Business-type Activities	Balance April 1, 2010	Additions	Disposals and Adjustments	Balance March 31, 2011
Capital assets not being depreciated:				
Land	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Construction in progress	9,604,694	23,723,807	(7,405,873)	25,922,628
Subtotal	10,604,694	23,723,807	(7,405,873)	26,922,628
Capital assets being depreciated:				
Structures, mains, and laterals	158,752,610	7,309,806	-	166,062,416
Meters	4,565,640	40,304	-	4,605,944
Buildings and improvements	14,972,440	-	-	14,972,440
Equipment	2,020,313	126,221	-	2,146,534
Vehicles	2,049,811	-	-	2,049,811
Furniture and fixtures	721,181	-	-	721,181
Land improvements	320,165	29,008	-	349,173
Subtotal	183,402,160	7,505,339	-	190,907,499
Accumulated depreciation:				
Structures, mains, and laterals	60,781,913	3,048,525	-	63,830,438
Meters	3,239,035	211,401	-	3,450,436
Buildings and improvements	5,155,464	341,096	-	5,496,560
Equipment	1,827,023	45,867	-	1,872,890
Vehicles	1,740,287	133,990	-	1,874,277
Furniture and fixtures	692,748	14,952	-	707,700
Land improvements	104,475	21,344	-	125,819
Subtotal	73,540,945	3,817,175	-	77,358,120
Net capital assets being depreciated	109,861,215	3,688,164	-	113,549,379
Net capital assets	<u>\$ 120,465,909</u>	<u>\$ 27,411,971</u>	<u>\$ (7,405,873)</u>	<u>\$ 140,472,007</u>
Component Units	Balance April 1, 2010	Additions	Disposals and Adjustments	Balance March 31, 2011
Capital assets being depreciated - Land improvements	\$ 18,297	\$ 728,650	\$ -	\$ 746,947
Accumulated depreciation - Land improvements	3,660	1,830	-	5,490
Net capital assets being depreciated	<u>\$ 14,637</u>	<u>\$ 726,820</u>	<u>\$ -</u>	<u>\$ 741,457</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 3 - Capital Assets (Continued)

Construction in progress includes:

- \$3,793,822 of drain improvements constructed by the Oakland-Macomb Interceptor Drainage District (OMID). This represents the Township's portion of total OMID improvements in the amount of \$48,700,000. These improvements will be completed by OMID using state revolving loan funds and bonded debt. See Note 5 for additional information.
- \$1,931,557 of drain improvements constructed by the Macomb County Waste Water District for the North Gratiot Interceptor which is the Township's portion of total improvements in the amount of \$39,305,000. See Note 5 for additional information.
- \$17,787,262 of drain improvements constructed by the Macomb Interceptor Drainage District (MID). This represents the Township's portion of total MID improvements in the amount of \$95,955,000. These improvements will be completed by MID using bonded debt. See Note 5 for additional information.

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

Governmental activities:

General government	\$ 259,280
Public safety	1,526,811
Public works	105,411
Recreation and senior activities	264,387
Infrastructure assets constructed by special assessment fund	<u>311,508</u>
Total governmental activities	<u>\$ 2,467,397</u>

Business-type activities:

Water and sewer	\$ 3,436,456
Sanitation	18,279
Senior housing	<u>362,440</u>
Total business-type activities	<u>\$ 3,817,175</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

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	\$ 288,047
	Special Assessment Fund	9,060
	Other nonmajor funds	163,277
	Total General Fund	460,384
Sanitation Fund	Water and Sewer Fund	110,258
	Other nonmajor funds	20,533
Senior Housing Fund	Other nonmajor funds	312,500
Special Assessment Fund	Water and Sewer Fund	2,500
	Total	\$ 906,175

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 Out	Transfers In	Amount
General Fund	Other nonmajor funds (1)	\$ 296,830
Fire Fund	Other nonmajor funds (1)	99,135
Special Assessment Fund	Other nonmajor funds (2)	20,533
Other nonmajor funds	Police Fund (2)	125,000
Water and Sewer Fund	Special Assessment Fund	2,500
	Total	\$ 543,998

(1) Transfer of discretionary funds for operational usage

(2) Transfer of discretionary funds for capital improvement projects

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

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.

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.

The Township financed a portion of a State-mandated project to construct water pollution control facilities through the Michigan State Revolving Loan Fund Program (SRF). A principal and interest payment schedule will be finalized upon completion of the project for the loan. The preliminary principal and interest payment schedule is used up to the amount of advances as of March 31, 2011. As a result, the payment schedule for the balance of the 20-year repayment period will increase as the funds are advanced.

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 5 - Long-term Debt (Continued)

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 Maturing through 2011	-	-	\$ 278,955	\$ (278,955)	\$ -	\$ -
Building Authority Refunding Bonds - Series 1998:*						
Amount of issue - \$10,390,000 Maturing through 2017	4.70% - 5.50%	\$240,975 - \$315,945	1,865,682	(6,426)	1,859,256	240,975
Police Building Bonds - Series 1998:						
Amount of issue - \$8,000,000 Maturing through 2018	4.00% - 4.75%	\$450,000 - \$725,000	4,450,000	(425,000)	4,025,000	450,000
Police Building Bonds - Series 1999:						
Amount of issue - \$5,900,000 Maturing through 2018	4.00%	\$350,000 - \$600,000	3,650,000	(350,000)	3,300,000	350,000
Fire Building Bonds - Series 2002:						
Amount of issue - \$8,500,000 Maturing through 2022	3.55% - 4.60%	\$375,000 - \$750,000	6,725,000	(350,000)	6,375,000	375,000
41-B District Court Bonds - Series 2006:						
Amount of issue - \$13,500,000 Maturing through 2031	4.00% - 4.50%	\$250,000 - \$1,000,000	12,800,000	(250,000)	12,550,000	250,000
Capital Improvement Bonds - Series 2010:						
Amount of issue \$2,187,500 Maturing through 2032	2.00% - 4.00%	\$78,750 - \$157,500	-	2,187,500	2,187,500	-
MDOT Infrastructure Loan (1):						
Loan amount - \$477,720 Maturing through 2019	1%	\$46,579 - \$49,936	432,058	(46,118)	385,940	46,580
MDOT Infrastructure Loan (2):						
Loan amount - \$334,405 Maturing through 2021	1%	\$31,963 - \$34,962	-	334,405	334,405	31,963
Total bond/loan obligations			30,201,695	815,406	31,017,101	1,744,518
Other long-term obligations - Compensated absences			4,596,285	(550,443)	4,045,842	2,592,639
Total governmental activities			\$ 34,797,980	\$ 264,963	\$ 35,062,943	\$ 4,337,157

* 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, 2011

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						
Maturing through 2011	-	-	\$ 676,056	\$ (676,056)	\$ -	\$ -
Building Authority Refunding Bonds - Series 1998:*						
Amount of issue - \$10,390,000	4.70% -	\$884,025 -				
Maturing through 2017	5.50%	\$1,159,055	6,844,311	(23,574)	6,820,737	884,025
Capital Improvement Bonds - Series 2010						
Amount of issue - \$312,500	2.00% -	\$11,250 -				
Maturing through 2032	4.00%	\$22,500	-	312,500	312,500	-
2001 Special Assessment Bonds - Limited Tax Bonds (Project Nos. 985, 988, and 990):						
Amount of issue - \$995,000						
Maturing through 2011	-	-	110,000	(110,000)	-	-
2004 Special Assessment Bonds - Limited Tax Bonds (Project Nos. P1000, P1006, P1018, P1029, and S1013):						
Amount of issue - \$1,115,000	3.35% -					
Maturing through 2014	3.80%	\$110,000	550,000	(110,000)	440,000	110,000
2006 Special Assessment Bonds - Limited Tax Bonds (Project Nos. S-1052, W-1053, and P- 1056):						
Amount of issue - \$955,000	4.00% -					
Maturing through 2015	4.13%	\$100,000	600,000	(100,000)	500,000	100,000
Revenue bonds:						
Revenue Refunding Bonds - Series 1998:						
Amount of issue - \$4,110,000	4.85% -	\$190,000 -				
Maturing through 2013	5.00%	\$240,000	855,000	(185,000)	670,000	190,000
Revenue Bonds - Series 2001:						
Amount of issue - \$8,000,000		\$350,000 -				
Maturing through 2022	4.00%	\$650,000	6,150,000	(325,000)	5,825,000	350,000
Revenue Refunding Bonds - Series 2004:						
Amount of issue - \$2,570,000	2.70% -	\$5,000 -				
Maturing through 2016	3.40%	\$395,000	2,185,000	(405,000)	1,780,000	395,000
Revenue Bonds - CWRP Project 5191-01:						
Amount of issue - \$1,405,000		\$65,000 -				
Maturing through 2024	2.125%	\$85,000	1,045,000	(65,000)	980,000	65,000
Revenue Bonds - SQWIF Project 3001-01:						
Amount of issue - \$270,000		\$8,000 -				
Maturing through 2024	1.625%	\$10,000	146,471	(8,000)	138,471	10,000
Revenue Bonds - Series 2006:						
Amount of issue - \$5,000,000	3.75% -	\$100,000 -				
Maturing through 2026	4.30%	\$400,000	4,700,000	(100,000)	4,600,000	100,000
County Drain Contract Obligations:						
North Gratiot Interceptor Drainage District - Series 2010:						
Amount of issue - \$172,370	1.00% -	\$5,283 -				
Maturing through 2035	6.35%	\$9,906	-	169,068	169,068	5,283
North Gratiot Interceptor Drainage District - Series 2008:						
Amount of issue - \$1,853,714	3.625% -	\$41,489 -				
Maturing through 2033	5.00%	\$99,573	-	1,730,077	1,730,077	41,489
2010A OMID Drainage District (SRF):						
Amount of issue - \$1,454,287		\$56,660 -				
Maturing through 2031	2.50%	\$91,257	-	1,454,287	1,454,287	56,660
2010B OMID Drainage District:						
Amount of issue - \$753,472	1.45% -	\$25,303 -				
Maturing through 2030	5.90%	\$58,481	-	732,105	732,105	25,303
2010A MID Drainage District:						
Amount of issue - \$18,226,352	1.25% -	\$568,978 -				
Maturing through 2035	5.38%	\$1,073,147	-	18,226,352	18,226,352	568,978
Total bond obligations			23,861,838	20,516,759	44,378,597	2,901,738

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

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)						
Other long-term obligations:						
Compensated absences			\$ 254,087	\$ (4,158)	\$ 249,929	\$ 74,979
Bond issuance discount			-	(258,518)	(258,518)	(10,772)
Deposits			322,732	19,728	342,460	-
			<u>24,438,657</u>	<u>20,273,811</u>	<u>44,712,468</u>	<u>2,965,945</u>
Total business-type activities						
			<u>\$ 59,236,637</u>	<u>\$ 20,538,774</u>	<u>\$ 79,775,411</u>	<u>\$ 7,303,102</u>

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

Years Ending March 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 1,744,518	\$ 1,304,541	\$ 3,049,059	\$ 2,901,738	\$ 1,581,287	\$ 4,483,025
2013	2,007,612	1,226,818	3,234,430	3,027,317	1,481,451	4,508,768
2014	2,130,202	1,146,288	3,276,490	2,785,568	1,379,801	4,165,369
2015	2,215,648	1,059,593	3,275,241	2,916,123	1,279,042	4,195,165
2016	2,495,550	967,260	3,462,810	2,964,453	1,169,948	4,134,401
2017-2021	9,869,196	3,363,526	13,232,722	11,184,624	4,291,419	15,476,043
2022-2026	4,905,625	1,829,062	6,734,687	8,254,123	2,601,158	10,855,281
2027-2031	5,491,250	763,750	6,255,000	6,008,163	1,383,956	7,392,119
2032	157,500	3,150	160,650	4,336,488	380,325	4,716,813
Total	<u>\$ 31,017,101</u>	<u>\$ 11,663,988</u>	<u>\$ 42,681,089</u>	<u>\$ 44,378,597</u>	<u>\$ 15,548,387</u>	<u>\$ 59,926,984</u>

During the year, the Macomb Interceptor Drainage District (MID) issued county bonds in the amount of \$95,620,000, of which \$18,226,352 is the Township's share. The MID Series 2010A bond proceeds were used to acquire the MID interceptor system. Additional county bonds were issued in the amount of \$39,305,000 to improve and repair the North Gratiot Interceptor. The Township's share of the debt totals \$2,026,084. The 2010 Series of these bonds were issued as Federally Taxable Recovery Zone Economic Development Bonds and are eligible to recover tax credit payments from the United States Treasury equal to 45 percent (for the North Gratiot bond) and 35 percent (for the MID Bond) of the interest payable on the bonds. The Township's total tax credit for both bonds over the next 24 years will be \$4,505,805.

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 5 - Long-term Debt (Continued)

Also, during the year, the Oakland-Macomb Interceptor Drainage District (OMID) issued county bonds in the amount of \$6.7 million, of which \$753,472 is the Township's share. The OMID Series 2010B bond proceeds are being used to improve and repair the OMID Interceptor. The 2010B Series of these bonds were issued as Federally Taxable Recovery Zone Economic Development Bonds and are eligible to recover tax credit payments from the United States Treasury equal to 45 percent of the interest payable on the bonds. The Township's total tax credit for the bond over the next 19 years will be \$204,980. The OMID was also approved for approximately \$42 million of loans, of which approximately \$16 million of the debt will be forgiven and \$26 million are loans from the Michigan State Revolving Fund (SRF) (OMID Series 2010A). The Township's portion of the forgiven debt has been recognized as contributed capital in the amount of \$1,800,000. As of year end, the Township's portion of the draws from the SRF was \$1,454,287.

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.

Revenue Bonds

The Township has pledged certain revenue of the Water and Sewer Fund, net of operating expenses, to repay the revenue bonds disclosed above. Proceeds from the bonds provided financing for the repair of water and sewer lines. The bonds are payable solely from the net revenue of the water and sewer system. The remaining principal and interest to be paid on the bonds total \$17,764,037. During the current year, net income, before depreciation and lines donated by developers and other governmental units (both of which are noncash activities), of the water and sewer system totaled \$6,804,255, compared to annual debt requirements of \$1,646,204.

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, 2011, \$8,700,000 of Building Authority Bonds and \$800,000 of Water and Sewer Revenue Bonds outstanding are considered defeased.

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 6 - Restricted Net 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, 2011 is funded by certificates of deposits and money market funds in the amount of \$1,557,759.

Unspent bond proceeds held at County:

Due from Oakland County*	\$123,345
Due from Macomb County**	398,630

* This amount is held by Oakland County in a construction fund maintained on behalf of the Township for improvements to the Oakland-Macomb Interceptor Drainage District.

** This amount is held by Macomb County in Construction and Debt Retirement Funds maintained on behalf of the Township by the Macomb County Department of Public Works for drain construction projects of the Township.

Net assets have been reserved for restricted assets.

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 property loss, torts, and errors and omissions. 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 is uninsured for workers' compensation claims and medical benefits. The Township formerly purchased commercial insurance for medical benefits, but during the year ended March 31, 2009, the Township began self-funding medical benefits. These benefits are self-funded up to a retention amount, at which time the Township's reinsurance coverage begins.

The Township estimates the liability (asset) for workers' compensation claims and medical benefits 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. An asset is recorded when payments for claims have exceeded the estimated insurance liability; this amount represents funds held by the third-party administrator that will be used to pay claims of a subsequent period. These liabilities (assets) are recorded in accrued and other liabilities (other assets) on the statement of net assets.

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 7 - Risk Management (Continued)

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

	Workers' Compensation		Medical Benefits	
	2011	2010	2011	2010
Estimated liability - Beginning of year	\$ 881,655	\$ 985,695	\$ 237,936	\$ 601,499
Estimated claims incurred, including changes in estimates	25,652	216,425	6,263,104	6,565,806
Claim payments	(247,763)	(320,465)	(6,933,794)	(6,929,369)
Estimated liability (asset) - End of year	\$ 659,544	\$ 881,655	\$ (432,754)	\$ 237,936

Note 8 - Commitments and Contingencies

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.

Construction Commitments - The Charter Township of Clinton has active construction projects at year end. As of March 31, 2011, the Township's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
A.C.O. Model	\$ -	\$ 115,630
Heritage Estates Siding	20,700	749,300
D.P.W. Building	52,500	47,500

Note 9 - Postemployment Benefits

As of April 1, 2010, the Township provides retiree healthcare benefits to full-time employees upon retirement in accordance with labor contracts. Membership in the plan included 156 retiree members and 390 active members as of September 1, 2008, the date of the most recent actuarial valuation. During the year ended March 31, 2011, the Township renegotiated certain labor contracts to provide a defined contribution Postemployment Health Plan (PEHP) to eligible employees hired after April 1, 2010.

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 9 - Postemployment Benefits (Continued)

This is a single-employer defined benefit plan administered by the Township. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs of the plan are paid by the Township.

The collective bargaining agreements do not require contributions from employees. The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, as shown below, the Township has made contributions to advance-fund these benefits, as determined by the Township board through annual budget resolutions. The costs of administering the plan are borne by the Township's General Fund.

For the year ended March 31, 2011, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of September 1, 2008. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

This valuation's computed contribution and actual funding are summarized as follows:

	<u>2011</u>	<u>2010</u>
Annual required contribution	\$ 4,398,440	\$ 4,628,384
Amounts contributed:		
Payments of current premiums	(2,737,533)	(2,548,517)
Advance funding	<u>(1,544,518)</u>	<u>(2,000,000)</u>
Decrease in net OPEB asset	116,389	79,867
OPEB asset - Beginning of year	<u>(819,893)</u>	<u>(899,760)</u>
OPEB asset - End of year	<u>\$ (703,504)</u>	<u>\$ (819,893)</u>

Three-year trend information of the plan is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Costs</u>	<u>Percentage Contributed</u>	<u>Net OPEB Asset</u>
March 31, 2011	\$ 4,398,440	97	\$ 703,504
March 31, 2010	4,628,384	98	819,893
March 31, 2009	3,765,919	124	899,760

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 9 - Postemployment Benefits (Continued)

The funding progress of the plan 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
September 1, 2008	\$ 14,761,410	\$ 68,564,301	\$ 53,802,891	21.5	\$ 23,987,344	224.3
June 30, 2006	10,040,141	53,646,367	43,606,226	18.7	22,754,633	191.6

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 1, 2008 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent in the seventh year and beyond. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a four-year period. The UAAL is being amortized as a level percentage of projected covered payroll on an open basis. The remaining amortization period at September 1, 2008 was 30 years.

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 9 - Postemployment Benefits (Continued)

Defined Contribution Plan

The various collective bargaining agreements require employee contributions ranging from 2 percent to 4 percent of base compensation, to the PEHP. The Township is required to contribute 6 percent of the employee's base pay to each participating employee. Any plan members who receive a normal retirement from the Township are then eligible to use the balance in their accounts to fund eligible medical expenses.

During the year ended March 31, 2011, the Township made contributions of \$2,166 and the plan members contributed \$1,237 to the plan.

Note 10 - Pension Plans

Fire and Police Pension System Fund

System Description and Contribution Information

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 supplemental 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 6.14 percent and 10.0 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, 2011, the Township's annual pension cost of \$3,443,068 for the plan was equal to the pension system's required and actual contribution.

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 10 - Pension Plans (Continued)

The pension cost for the three most recent years is as follows:

	Fiscal Year Ended March 31		
	2011	2010	2009
Annual pension cost (APC)	\$ 3,443,068	\$ 3,044,464	\$ 2,833,972
Percentage of APC contributed	100 %	100 %	100 %

Funded Status and Funding Progress - The funding status for the three most recent years is as follows:

	Actuarial Valuation as of March 31		
	2008	2009	2010
Actuarial value of assets	\$ 96,959,753	\$ 97,807,348	\$ 100,263,975
Actuarial accrued liability (AAL) (entry age)	\$ 95,924,951	\$ 100,879,824	\$ 110,415,165
Unfunded AAL (UAAL)	\$ (1,034,802)	\$ 3,072,476	\$ 10,151,190
Funded ratio	101.1 %	97.0 %	90.8 %
Covered payroll	\$ 15,810,152	\$ 16,611,300	\$ 16,028,600
UAAL as a percentage of covered payroll	(6.5)%	18.5 %	63.3 %

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at March 31, 2009. 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, 2009 was 20 years.

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 10 - 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, 2010	\$ 11,437,646	\$ 52,250,030	\$ 35,801,117	\$ 99,488,793
Additions:				
Contributions:				
Members	1,041,876	131,009	-	1,172,885
General Fund	-	3,443,068	-	3,443,068
Net investment gain	-	11,048,324	-	11,048,324
Securities lending income	-	4,241	-	4,241
Total balances and additions	12,479,522	66,876,672	35,801,117	115,157,311
Transfers:				
Interest	221,160	(2,788,732)	2,567,572	-
Reserve adjustment	-	(9,666,844)	9,666,844	-
Total balances and additions after transfers	12,700,682	54,421,096	48,035,533	115,157,311
Deductions:				
Pension benefits	-	-	(4,713,070)	(4,713,070)
Annuity withdrawals	(1,654,845)	-	-	(1,654,845)
Administrative expenses	-	(44,541)	-	(44,541)
Balances - March 31, 2011	<u>\$ 11,045,837</u>	<u>\$ 54,376,555</u>	<u>\$ 43,322,463</u>	<u>\$ 108,744,855</u>

Michigan Municipal Employees' Retirement System

Plan Description - The Township participates in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan that covers 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 supplemental information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 10 - Pension Plans (Continued)

Funding Policy - 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 employee contributions ranging from 4.50 percent to 7.09 percent of gross wages.

Annual Pension Cost - For the year ended March 31, 2011, the Township's annual pension cost of \$1,248,146 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, 2008, 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 28-year period for positive unfunded liabilities and a 10-year period for negative unfunded liabilities. The actuarial assumptions used in the December 31, 2010 valuation did not differ from those used in the December 31, 2008 valuation.

Three-year Trend Information

	Fiscal Year Ended March 31		
	2009	2010	2011
Annual pension cost (APC)	\$ 1,171,414	\$ 1,197,036	\$ 1,248,146
Percentage of APC contributed	100 %	100 %	100 %
	Actuarial Valuation as of December 31		
	2008	2009	2010
Actuarial value of assets	\$ 41,409,438	\$ 42,734,402	\$ 43,871,158
Actuarial accrued liability (AAL) (entry age)	\$ 53,724,327	\$ 55,714,914	\$ 59,408,736
Unfunded AAL (UAAL)	\$ 12,314,889	\$ 12,980,512	\$ 15,537,578
Funded ratio	77.1 %	76.7 %	73.8 %
Covered payroll	\$ 11,058,051	\$ 10,585,940	\$ 9,997,259
UAAL as a percentage of covered payroll	111.4 %	122.6 %	155.4 %

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 11 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be 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:

	Governmental Funds			Government-wide Financial Statements -
	Unavailable	Unearned	Total	Unearned
State-shared revenue	\$ 551,242	\$ -	\$ 551,242	\$ -
Long-term due from other governments	4,267,000	-	4,267,000	-
Other grant revenue	-	47,323	47,323	47,323
Total	\$ 4,818,242	\$ 47,323	\$ 4,865,565	\$ 47,323

Note 12 - 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 the Township of Macomb, 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 the Township of Macomb. The Library is funded through property taxes, specifically through a separate property tax millage that is not recorded as revenue by the 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.

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 12 - Joint Ventures (Continued)

The Township is also a member of the 41B District Court Common Fund (the "Court"), a joint venture that provides judiciary services to the City of Mount Clemens and the Charter Townships of Clinton and Harrison. The Township board of trustees appoints one member to the Court's management council, which has the responsibility of reviewing financial matters of the Court, including annual budget requests. The expenses of the Court are divided among three communities in proportion to the volume of cases attributable to each community. Fines and fees collected from within the communities are distributable to the communities net of their allocation of the Court's expenditures. The Township has also recorded its interest in the capital assets, the related bonded debt obligations, and the net assets of the Court in the governmental activities statements based on the same allocation percentages as used to allocate revenue and expenses among participating communities.

Note 13 - Subsequent Events

On August 30, 2011, the Township issued \$6,355,000 in general obligation limited tax refunding bonds. Principal payments ranging from \$390,000 to \$710,000 commence April 1, 2012 and are payable through April 1, 2022. Semiannual interest payments are due at interest rates ranging from 2.00 percent to 3.50 percent. The bonds were issued by the Township for the purpose of refunding the Fire Building Bonds - Series 2002, which had an outstanding principal balance of \$6,375,000 at March 31, 2011.

Note 14 - Fund Balance Constraints

The detail of the various components of fund balance for the General Capital Projects Fund is as follows:

	<u>General Capital Projects Fund</u>
Fund Balances - Assigned	
Next year's budget	\$ 219,662
Cass Avenue loan principal and interest	403,509
Romeo Plank loan principal and interest	353,077
Technology	400,000
Sidewalk program	200,000
Tentative SAD projects	100,000
General capital projects	<u>498,413</u>
Total assigned	<u>\$ 2,174,661</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 15 - Upcoming Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses financial reporting related to service concession arrangements which are a type of private or public partnership. An SCA is an arrangement between a transferor (a government) and an operator (whether a government or nongovernment) in which the transferor conveys to an operator the right and relation obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the Township's 2012-2013 fiscal year.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement 14 and Statement 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the Township's 2013-2014 fiscal year.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the Township's 2012-2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the Township's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

Charter Township of Clinton

Notes to Financial Statements March 31, 2011

Note 16 - Accounting and Reporting Change

During the year, the Township adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. In order to conform the classifications of the funds to the appropriate fund types under these new definitions, beginning fund balance was restated as follows:

	<u>General Fund</u>	<u>Postemployment Benefit Fund</u>	<u>Capital Improvement Revolving Fund</u>	<u>General Capital Projects Fund</u>
Fund balance - March 31, 2010 - As previously reported	\$ 10,882,697	\$ 1,305,042	\$ 2,220,353	\$ -
Reclassifications under GASB Statement No. 54	<u>1,305,042</u>	<u>(1,305,042)</u>	<u>(2,220,353)</u>	<u>2,220,353</u>
Fund balance - March 31, 2010 - As restated	<u>\$ 12,187,739</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,220,353</u>

Required Supplemental Information

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,548,240	\$ 2,507,417	\$ 2,510,284	\$ 2,867
Licenses and permits	758,200	775,500	942,271	166,771
Federal sources	16,835	42,361	42,335	(26)
State sources	6,729,832	6,729,832	6,844,043	114,211
Interest	50,000	75,000	23,072	(51,928)
Other revenue	3,049,715	3,128,337	3,333,843	205,506
Total revenue	13,152,822	13,258,447	13,695,848	437,401
Expenditures				
Current:				
General government	5,032,877	4,878,186	4,691,739	186,447
Public safety	1,230,207	1,196,885	1,191,126	5,759
Public works	3,640,463	3,513,570	3,511,549	2,021
Community and economic development	434,985	490,463	459,670	30,793
Recreation and senior activities	2,241,590	2,204,736	2,128,349	76,387
Debt service	125,000	200	-	200
Total expenditures	12,705,122	12,284,040	11,982,433	301,607
Excess of Revenue Over Expenditures	447,700	974,407	1,713,415	739,008
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	5,000	650	670	20
Transfers out	(296,830)	(296,830)	(296,830)	-
Net Change in Fund Balance	155,870	678,227	1,417,255	739,028
Fund Balance - Beginning of year	10,882,697	10,882,697	10,882,697	-
Fund Balance - End of year	<u>\$ 11,038,567</u>	<u>\$ 11,560,924</u>	<u>\$ 12,299,952</u>	<u>\$ 739,028</u>

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Fund Year Ended March 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 14,086,069	\$ 13,914,835	\$ 13,887,974	\$ (26,861)
Federal sources	-	47,650	62,900	15,250
Interest	15,000	15,000	32,200	17,200
Other revenue	10,600	10,800	10,820	20
Total revenue	14,111,669	13,988,285	13,993,894	5,609
Expenditures				
Current - Public safety	14,260,327	13,489,512	13,689,857	(200,345)
Debt service:				
Principal	350,000	350,000	350,000	-
Interest	278,150	278,150	278,375	(225)
Total expenditures	14,888,477	14,117,662	14,318,232	(200,570)
Excess of Expenditures Over Revenue	(776,808)	(129,377)	(324,338)	(194,961)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	3,700	569,672	565,972
Transfers out	(99,336)	(99,336)	(99,135)	(201)
Net Change in Fund Balance	(876,144)	(225,013)	146,199	370,810
Fund Balance - Beginning of year	14,918,699	14,918,699	14,918,699	-
Fund Balance - End of year	<u>\$ 14,042,555</u>	<u>\$ 14,693,686</u>	<u>\$ 15,064,898</u>	<u>\$ 370,810</u>

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Fund Year Ended March 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 18,243,000	\$ 18,031,665	\$ 17,995,972	\$ (35,693)
Licenses and permits	65,000	65,000	59,580	(5,420)
Federal sources	16,000	62,940	69,948	7,008
State sources	188,000	178,373	216,248	37,875
Interest	20,000	10,000	46,245	36,245
Other revenue	460,800	779,252	853,530	74,278
Total revenue	18,992,800	19,127,230	19,241,523	114,293
Expenditures - Current - Public safety	18,930,111	19,142,863	18,886,057	256,806
Excess of Revenue Over (Under) Expenditures	62,689	(15,633)	355,466	371,099
Other Financing Sources				
Proceeds from sale of capital assets	30,000	25,500	32,323	6,823
Transfers in	125,000	125,000	125,000	-
Total other financing sources	155,000	150,500	157,323	6,823
Net Change in Fund Balance	217,689	134,867	512,789	377,922
Fund Balance - Beginning of year	20,988,434	20,988,434	20,988,434	-
Fund Balance - End of year	\$ 21,206,123	\$ 21,123,301	\$ 21,501,223	\$ 377,922

Charter Township of Clinton

Required Supplemental Information Pension System Schedule of Funding Progress and Employer Contributions Year Ended March 31, 2011

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
3/31/05	\$ 72,158,679	\$ 75,553,927	\$ 3,395,248	95.5	\$ 13,754,331	24.7
3/31/06	78,717,338	82,677,222	3,959,884	95.2	14,457,911	27.4
3/31/07	88,658,616	86,075,845	(2,582,771)	103.0	14,570,507	(17.7)
3/31/08	96,959,753	95,924,951	(1,034,802)	101.1	15,810,152	(6.6)
3/31/09	97,807,348	100,879,824	3,072,476	97.0	16,611,300	18.5
3/31/10	100,263,975	110,415,465	10,151,490	90.8	16,028,600	63.3

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
3/31/06	3/31/04	\$ 2,757,359	100
3/31/07	3/31/05	2,902,650	100
3/31/08	3/31/06	3,105,900	100
3/31/09	3/31/07	2,833,972	100
3/31/10	3/31/08	3,044,464	100
3/31/11	3/31/09	3,443,068	100

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

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of March 31, 2009, the latest actuarial valuation, is as follows:

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
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 Year Ended March 31, 2011

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 that GASB Statement No. 54 was adopted subsequent to June 30, 2011 which prohibited the Township to be able to amend the General Fund budget to take into account the additional activity accounted for in the General Fund as a result of implementation. The table below reconciles the actual fiscal year activity in the General Fund budget to the General Fund activity reported in the governmental funds statement of revenue, expenditures, and changes in fund balance. 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, 2011 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Excess of Revenue Over Expenditures</u>
General Fund:			
Amounts per governmental funds statement of revenue, expenditures, and changes in fund balances	\$ 13,695,848	\$ 12,525,037	\$ 1,170,811
General government	-	(287,003)	287,003
Public safety	-	(238,338)	238,338
Public works	-	(17,263)	17,263
Amounts per General Fund budget statement	<u>\$ 13,695,848</u>	<u>\$ 11,982,433</u>	<u>\$ 1,713,415</u>

Other Supplemental Information

Charter Township of Clinton

	Nonmajor Special Revenue Funds						Total Special Revenue Funds
	Community	Drug	Street	Neighborhood	DEA Task		
	Drainage	Development Block Grant	Forfeiture	Lighting	Stabilization	Force	
Assets							
Cash and investments	\$ 538,555	\$ -	\$ 618,014	\$ 405,535	\$ -	\$ 21,825	\$ 1,583,929
Receivables:							
Taxes	-	-	-	-	-	-	-
Customers	-	-	-	30,012	-	-	30,012
Other	-	-	-	-	31,209	-	31,209
Due from other governmental units	-	28,395	-	-	-	-	28,395
Due from other funds	-	-	-	-	-	-	-
Total assets	\$ 538,555	\$ 28,395	\$ 618,014	\$ 435,547	\$ 31,209	\$ 21,825	\$ 1,673,545
Liabilities and Fund Balances							
Liabilities							
Vouchers payable	\$ 10,216	\$ 3,836	\$ 7,802	\$ 30,554	\$ 29,126	\$ -	\$ 81,534
Due to other funds	-	24,559	-	-	2,083	-	26,642
Accrued and other liabilities	1,500	-	-	-	-	-	1,500
Total liabilities	11,716	28,395	7,802	30,554	31,209	-	109,676
Fund Balances							
Restricted:							
Drainage	526,839	-	-	-	-	-	526,839
Debt service	-	-	-	-	-	-	-
Drug forfeiture	-	-	610,212	-	-	-	610,212
Street lighting	-	-	-	404,993	-	-	404,993
DEA task force	-	-	-	-	-	21,825	21,825
Capital projects	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-
Assigned - Capital projects	-	-	-	-	-	-	-
Total fund balances	526,839	-	610,212	404,993	-	21,825	1,563,869
Total liabilities and fund balances	\$ 538,555	\$ 28,395	\$ 618,014	\$ 435,547	\$ 31,209	\$ 21,825	\$ 1,673,545

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2011**

Nonmajor Debt Service Funds			Nonmajor Capital Projects Funds			Total Nonmajor Governmental Funds
Building Authority	Police Facility	Total Debt Service Funds	2010 Construction Fund	General Capital Projects Fund	Total Capital Projects Funds	
\$ 28,004	\$ 81,780	\$ 109,784	\$ 2,463,405	\$ 2,252,816	\$ 4,716,221	\$ 6,409,934
-	80,243	80,243	-	1,598	1,598	81,841
-	-	-	-	-	-	30,012
-	-	-	-	-	-	31,209
-	-	-	-	-	-	28,395
-	-	-	-	20,533	20,533	20,533
\$ 28,004	\$ 162,023	\$ 190,027	\$ 2,463,405	\$ 2,274,947	\$ 4,738,352	\$ 6,601,924
\$ -	\$ -	\$ -	\$ 1,104	\$ 286	\$ 1,390	\$ 82,924
867	6,890	7,757	441,378	-	441,378	475,777
-	-	-	-	-	-	1,500
867	6,890	7,757	442,482	286	442,768	560,201
-	-	-	-	-	-	526,839
27,137	155,133	182,270	-	-	-	182,270
-	-	-	-	-	-	610,212
-	-	-	-	-	-	404,993
-	-	-	-	-	-	21,825
-	-	-	2,020,923	-	2,020,923	2,020,923
-	-	-	-	100,000	100,000	100,000
-	-	-	-	2,174,661	2,174,661	2,174,661
27,137	155,133	182,270	2,020,923	2,274,661	4,295,584	6,041,723
\$ 28,004	\$ 162,023	\$ 190,027	\$ 2,463,405	\$ 2,274,947	\$ 4,738,352	\$ 6,601,924

Charter Township of Clinton

	Nonmajor Special Revenue Funds						Total Special Revenue Funds
	Community	Drug	Street	Neighborhood	DEA Task		
	Development	Forfeiture	Lighting	Stabilization	Force		
Drainage	Block Grant						
Revenue							
Property taxes	\$ -	\$ -	\$ -	\$ 374,567	\$ -	\$ -	\$ 374,567
Federal sources	-	629,195	-	-	1,107,380	-	1,736,575
Fines and forfeitures	-	-	-	-	-	21,825	21,825
Interest	2,081	-	301	747	-	-	3,129
Other revenue	31,109	-	175,601	-	-	-	206,710
Total revenue	33,190	629,195	175,902	375,314	1,107,380	21,825	2,342,806
Expenditures							
Current:							
General government	-	629,195	-	-	56,166	-	685,361
Public safety	-	-	101,972	-	-	-	101,972
Public works	309,282	-	-	404,638	-	-	713,920
Community and economic development	-	-	-	-	1,051,214	-	1,051,214
Capital outlay	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	309,282	629,195	101,972	404,638	1,107,380	-	2,552,467
Excess of Revenue (Under) Over Expenditures	(276,092)	-	73,930	(29,324)	-	21,825	(209,661)
Other Financing Sources (Uses)							
Face value of debt issue	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	7,300	-	-	-	7,300
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(125,000)	-	-	-	(125,000)
Bond issuance costs	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(117,700)	-	-	-	(117,700)
Net Change in Fund Balances	(276,092)	-	(43,770)	(29,324)	-	21,825	(327,361)
Fund Balances - Beginning of year	802,931	-	653,982	434,317	-	-	1,891,230
Fund Balances - End of year	\$ 526,839	\$ -	\$ 610,212	\$ 404,993	\$ -	\$ 21,825	\$ 1,563,869

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended March 31, 2011

Nonmajor Debt Service Funds			Nonmajor Capital Projects Funds			Total Nonmajor Governmental Funds
Building Authority	Police Facility	Total Debt Service Funds	2010 Construction Fund	General Capital Projects Fund	Total Capital Projects Funds	
\$ -	\$ 1,087,675	\$ 1,087,675	\$ -	\$ -	\$ -	\$ 1,462,242
-	-	-	-	256,921	256,921	1,993,496
-	-	-	-	-	-	21,825
351	111	462	904	3,296	4,200	7,791
-	-	-	-	214,433	214,433	421,143
<u>351</u>	<u>1,087,786</u>	<u>1,088,137</u>	<u>904</u>	<u>474,650</u>	<u>475,554</u>	<u>3,906,497</u>
4,922	-	4,922	-	93,675	93,675	783,958
-	846	846	-	-	-	102,818
-	-	-	-	73,110	73,110	787,030
-	-	-	-	-	-	1,051,214
-	-	-	83,332	558,056	641,388	641,388
285,381	775,000	1,060,381	-	46,118	46,118	1,106,499
110,585	340,575	451,160	-	4,321	4,321	455,481
<u>400,888</u>	<u>1,116,421</u>	<u>1,517,309</u>	<u>83,332</u>	<u>775,280</u>	<u>858,612</u>	<u>4,928,388</u>
(400,537)	(28,635)	(429,172)	(82,428)	(300,630)	(383,058)	(1,021,891)
-	-	-	2,187,500	334,405	2,521,905	2,521,905
-	-	-	-	-	-	7,300
395,965	-	395,965	-	20,533	20,533	416,498
-	-	-	-	-	-	(125,000)
-	-	-	(84,149)	-	(84,149)	(84,149)
<u>395,965</u>	<u>-</u>	<u>395,965</u>	<u>2,103,351</u>	<u>354,938</u>	<u>2,458,289</u>	<u>2,736,554</u>
(4,572)	(28,635)	(33,207)	2,020,923	54,308	2,075,231	1,714,663
31,709	183,768	215,477	-	2,220,353	2,220,353	4,327,060
<u>\$ 27,137</u>	<u>\$ 155,133</u>	<u>\$ 182,270</u>	<u>\$ 2,020,923</u>	<u>\$ 2,274,661</u>	<u>\$ 4,295,584</u>	<u>\$ 6,041,723</u>

Charter Township of Clinton

Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds March 31, 2011

	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	\$ 412,002	\$ 1,546,905	\$ 1,958,907	\$ -	\$ 137,490	\$ 431,367	\$ 568,857
Investments:							
Bank investment pools	3,634,790	-	3,634,790	-	-	-	-
Money market funds	2,407,670	-	2,407,670	-	-	-	-
U.S. Treasury notes	1,469,418	-	1,469,418	-	-	-	-
Mutual funds	23,100,523	20,510,578	43,611,101	-	-	-	-
Common stock	38,169,095	-	38,169,095	-	-	-	-
U.S. government agency securities	3,201,994	-	3,201,994	-	-	-	-
Corporate bonds	15,374,376	-	15,374,376	-	-	-	-
Hedge funds	9,231,406	-	9,231,406	-	-	-	-
Real estate investment trusts	3,222,112	-	3,222,112	-	-	-	-
Limited partnerships	14,740,761	-	14,740,761	-	-	-	-
Receivables	-	-	-	176,350	35	-	176,385
Total assets	114,964,147	22,057,483	137,021,630	<u>\$ 176,350</u>	<u>\$ 137,525</u>	<u>\$ 431,367</u>	<u>\$ 745,242</u>
Liabilities							
Benefits payable and other liabilities	2,515,402	-	2,515,402	\$ -	\$ 1,415	\$ -	\$ 1,415
Due to other governmental units	-	-	-	8,295	-	-	8,295
Due to component units	-	-	-	21,237	-	-	21,237
Due to primary government	-	-	-	93,044	-	-	93,044
Refundable bonds and deposits	-	-	-	53,774	136,110	431,367	621,251
Collateral for securities lending	3,703,890	-	3,703,890	-	-	-	-
Total liabilities	6,219,292	-	6,219,292	<u>\$ 176,350</u>	<u>\$ 137,525</u>	<u>\$ 431,367</u>	<u>\$ 745,242</u>
Net Assets Held in Trust for Pension Systems and Other Employee Benefits	<u>\$ 108,744,855</u>	<u>\$ 22,057,483</u>	<u>\$ 130,802,338</u>				

Charter Township of Clinton

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended March 31, 2011

	Fire and Police Pension System Trust	Public Employee Healthcare Fund	Total
Additions			
Investment income (loss):			
Interest and dividends	\$ 1,847,620	\$ 530,565	\$ 2,378,185
Net appreciation in fair value of investments	9,792,069	1,439,530	11,231,599
Investment expenses	(591,365)	-	(591,365)
Net investment income	11,048,324	1,970,095	13,018,419
Securities lending income:			
Interest and fees	10,015	-	10,015
Less borrower rebates and fees	(5,774)	-	(5,774)
Net securities lending income	4,241	-	4,241
Contributions:			
Township	3,443,068	4,282,051	7,725,119
Employee	1,172,885	-	1,172,885
Total contributions	4,615,953	4,282,051	8,898,004
Total additions	15,668,518	6,252,146	21,920,664
Deductions			
Benefit payments and annuity withdrawals	6,367,915	2,737,533	9,105,448
Administrative expenses	44,539	-	44,539
Total deductions	6,412,454	2,737,533	9,149,987
Net Increase in Net Assets Held in Trust	9,256,064	3,514,613	12,770,677
Net Assets Held in Trust for Pension Systems and Other Employee Benefits - Beginning of year	99,488,791	18,542,870	118,031,661
Net Assets Held in Trust for Pension Systems and Other Employee Benefits - End of year	\$ 108,744,855	\$ 22,057,483	\$ 130,802,338