

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

**Financial Report
with Supplemental Information
March 31, 2015**

Charter Township of Clinton

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Clinton

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component 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, 2015 and the related notes to the financial statements, which collectively comprise the Charter Township of Clinton's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The Fire and Police Pension System was not audited under *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Trustees
Charter Township of Clinton

Opinion

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, 2015 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the basic financial statements, in 2015, the entity adopted GASB Statement No. 67, *Financial Reporting for Pension Plans*. Adopting GASB 67 resulted in significant changes to defined benefit related footnote disclosures, as well as required and other supplemental information. Our opinion is not modified with respect to this matter.

As explained in Note 2, the financial statements include investments related to the Fire and Police Pension System valued at approximately \$35 million at March 31, 2015 whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by the investment manager. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Clinton's basic financial statements. The 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.

To the Board of Trustees
Charter Township of Clinton

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2015 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the Charter Township of Clinton's internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 10, 2015

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, 2015. 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 position and a statement of activities. These government-wide statements are presented on pages 15-17. 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 depreciation as an expense.

The second of these two series is presented on pages 18-30. This series consists of the more traditional fund-based financial statements. It is grouped by governmental funds, proprietary funds, fiduciary funds, and component units. Fund-based 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 position (in thousands) as of March 31, 2015 and 2014:

Summary Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current Assets	\$ 82,693.3	\$ 75,013.3	\$ 27,974.6	\$ 23,709.8	\$ 110,667.9	\$ 98,723.1
Noncurrent Assets						
Restricted assets	-	-	3,483.9	4,440.5	3,483.9	4,440.5
Special assessments	-	-	235.6	318.4	235.6	318.4
Capital assets	<u>38,819.0</u>	<u>39,759.2</u>	<u>156,834.8</u>	<u>147,791.4</u>	<u>195,653.8</u>	<u>187,550.6</u>
Total assets	121,512.3	114,772.5	188,528.9	176,260.1	310,041.2	291,032.6
Liabilities						
Current liabilities	6,839.6	2,600.1	4,819.0	3,924.6	11,658.6	6,524.7
Long-term liabilities	<u>22,602.6</u>	<u>28,503.0</u>	<u>55,751.2</u>	<u>48,420.9</u>	<u>78,353.8</u>	<u>76,923.9</u>
Total liabilities	<u>29,442.2</u>	<u>31,103.1</u>	<u>60,570.2</u>	<u>52,345.5</u>	<u>90,012.4</u>	<u>83,448.6</u>
Net Position						
Net investment in capital assets	16,019.8	14,747.0	103,809.7	103,405.5	119,829.5	118,152.5
Restricted	51,232.6	46,252.3	1,740.8	1,867.4	52,973.4	48,119.7
Unrestricted	<u>24,817.7</u>	<u>22,670.1</u>	<u>22,408.2</u>	<u>18,641.7</u>	<u>47,225.9</u>	<u>41,311.8</u>
Total net position	<u>\$ 92,070.1</u>	<u>\$ 83,669.4</u>	<u>\$ 127,958.7</u>	<u>\$ 123,914.6</u>	<u>\$ 220,028.8</u>	<u>\$ 207,584.0</u>

Total net position related to the Township's governmental activities increased approximately \$8.4 million. An approximate \$7.5 million increase resulted from revenue exceeding expenditures across most governmental funds mainly due to the additional tax revenue generated from the additional 1 mill and 1.25 mills for police and fire respectively, approved by the citizens in November 2013, which generated a combined total of \$5.8 million. Both the police and fire departments are in the process of hiring the additional personnel that was provided for with the additional millage and a new fund for the purchase of vehicles and equipment in the fire department has been established in order to provide for future capital outlay, including the purchase of five new fire engines. Revenues exceeding expenditures across all governmental funds, including the General Fund (approximately \$2.4 million), are due to favorable budget variances across most of the General Fund revenues and the close monitoring of expenditures, a lag in the hiring of unfilled full-time vacant positions due to retirements, and the deferring of capital expenditures. Net position was increased by approximately \$100 thousand due to a decrease in accumulated sick and vacation liability. The remainder of the difference in net position is attributed to timing differences which are detailed in the "Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities" found on page 21.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

For the year ended March 31, 2015, the Township continues to record its liability/asset (in the Township's case for March 31, 2015, it is a liability) 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. This liability included in Note 9 of these financial statements is \$667,000 at March 31, 2015.

The following table shows the changes in net position (in thousands of dollars) during the years ended March 31, 2015 and 2014:

Summary Condensed Income Statement

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue						
Program revenue:						
Charges for services	\$ 3,525.4	\$ 3,226.3	\$ 39,702.4	\$ 38,881.5	\$ 43,227.8	\$ 42,107.8
Operating grants and contributions	1,895.2	2,397.0	260.5	321.0	2,155.7	2,718.0
Capital grants and contributions	74.0	1.4	363.6	110.6	437.6	112.0
General revenue:						
Property taxes	37,956.9	37,594.3	-	-	37,956.9	37,594.3
State-shared revenue	7,890.7	7,599.6	-	-	7,890.7	7,599.6
Interest	93.3	48.8	66.6	43.7	159.9	92.5
Miscellaneous	3,683.3	3,575.7	-	25.0	3,683.3	3,600.7
Total revenue	55,118.8	54,443.1	40,393.1	39,381.8	95,511.9	93,824.9
Program Expenses						
General government	3,342.7	2,864.9	-	-	3,342.7	2,864.9
Public safety	34,138.4	33,200.1	-	-	34,138.4	33,200.1
Public works	4,551.4	4,583.8	-	-	4,551.4	4,583.8
Recreation and culture	2,530.3	2,398.7	-	-	2,530.3	2,398.7
Community and economic development	1,212.2	1,051.4	-	-	1,212.2	1,051.4
Interest on long-term debt	993.3	1,077.2	-	-	993.3	1,077.2
Water and sewer	-	-	31,154.1	30,142.2	31,154.1	30,142.2
Senior housing	-	-	1,586.6	1,540.3	1,586.6	1,540.3
Sanitation	-	-	3,505.3	3,757.6	3,505.3	3,757.6
Special assessments	-	-	52.8	245.2	52.8	245.2
Total program expenses	46,768.3	45,176.1	36,298.8	35,685.3	83,067.2	80,861.4
Change in Net Position - Before transfers	8,350.5	9,267.0	4,094.3	3,696.5	12,444.8	12,963.5
Transfers	50.2	-	(50.2)	-	-	-
Change in Net Position	8,400.7	9,267.0	4,044.1	3,696.5	12,444.8	12,963.5
Net Position - Beginning of year	83,669.4	74,402.4	123,914.6	120,218.1	207,584.0	194,620.5
Net Position - End of year	\$ 92,070.1	\$ 83,669.4	\$ 127,958.7	\$ 123,914.6	\$ 220,028.8	\$ 207,584.0

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Property taxes are the primary source of revenue for the governmental activities, providing approximately 69 percent of the total. State-shared revenue provides another 14 percent, user charges provide 6 percent, and grants and contributions provide 4.5 percent, leaving only 6.5 percent being provided by all other sources.

Property taxes, the largest source of general government revenue, experienced a net increase of approximately 1 percent due to an increase in taxable property values of approximately 1.4 percent offset by losses in prior year tax revenues from Michigan tax tribunal appeals. This is the first year of taxable property value increases in the Township in the past six years. The prior five years experienced reductions in taxable property values totaling 25 percent. It is expected that the upcoming year taxable values in the Township will continue to slowly increase. Even as property values grow, proposal A will limit increases to the rate of inflation.

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 reflects an approximate \$291 thousand increase from the previous year, but still continues at the reduced levels of recent years. The amount received from the State during the fiscal year ended March 31, 2015 was approximately \$2.3 million (23 percent) less than what the Township received in the fiscal year ended March 31, 2002. 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. This has permanently reset the level of services that the Township can afford to provide. Public Act 63 of 2011 introduced the Economic Vitality Incentive Program (EVIP). An eligible city, village, or township will receive an amount of statutory revenue-sharing payments for each of the three categories for which they fulfill the specific requirements. The three categories are accountability and transparency, consolidation of services, and employee compensation. For the fiscal year ended March 31, 2015, the legislature established the City, Village, and Township Revenue Sharing (CVTRS) program (a simplified version of the Economic Vitality Incentive Program (EVIP)). Each eligible local unit must meet all of the requirements of accountability and transparency in order to receive the full CVTRS payments. The Township's compliance with all CVTRS requirements resulted in the Township receiving the maximum amount available of \$409 thousand of statutory revenue-sharing dollars.

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	Street Lighting Fund
Building Authority Debt Fund	DEA Task Force Fund
Police Facility Debt Fund	41-B District Court Debt Fund

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

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

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

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 was approximately \$1 million higher than 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, or \$16.5 thousand, in the General Fund. The 1 percent increase in tax revenue is directly related to the increase in property tax values, offset by tax adjustment corrections to the prior year. The revenue from state revenue sharing, the General Fund's largest revenue source, increased by 4.2 percent, or \$317 thousand, mainly due to an increase of constitutional state revenue-sharing payments from the State of Michigan. The \$409 thousand of statutory revenue received through the City, Village, and Township Revenue Sharing (CVTRS) program was slightly higher than the prior year. The third largest revenue source in the General Fund is from cable franchise fees received from three cable providers in the Township. Franchise fee revenue increased by 10.5 percent, or \$212 thousand, from the prior year. Proceeds from the sale of fixed assets have increased by \$277 thousand from the prior year due to an increase in the sales of forfeited properties that the Township purchases from Macomb County. Fees and permit revenue increased by 12 percent, or \$146 thousand from the prior year, mainly due to rental inspection fees, which are required every two years, and a slight increase in the building, electrical, heating, and plumbing permits, which indicates an increase in construction of new homes and residents investing in home improvements. Interest income stayed relatively the same as the prior year, as interest rates remain very low. Administrative fees, received from other departments, are \$58 thousand higher than the prior year. The DPW revenues have decreased by approximately \$79 thousand due to decreases in paving inspections, weed control fees, and reimbursements for snow removal. Revenues collected by the parks and recreation and seniors department remained relatively the same as the prior year.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Total General Fund expenditures, excluding the Postemployment Benefit Fund, have increased by 7.8 percent or \$1.1 million, above the prior year. Approximately \$600 thousand of the increase is due to the addition of personnel, restructuring of departmental personnel, contractual salary increases, and inflationary increases in the cost of fringe benefits. After several years of postponing capital outlay expenditures, the Township began to budget for and expend funds for much-needed capital outlay. This resulted in a \$200 thousand increase in capital outlay expenditures from the prior year. Also, the purchase of tax-forfeited property from Macomb County increased by \$234 thousand from the prior year and a subsidy of \$50 thousand was provided to the Senior Housing Fund to provide for the excess of expenditures over revenue in that fund.

During the fiscal year ended March 31, 2011, the Township implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. 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 continues to be included in the activity of the General Fund for the year ended March 31, 2015.

Police Fund - Overall, Police Fund revenue increased by approximately 2 percent from 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. In November 2013, the voters approved an additional 1 mill property tax levy for the operation and maintenance of the police department, which generated an additional \$2.58 million for the Police Fund. These two levies, along with the ongoing five special assessment mills, generated \$18.5 million this year in the Police Fund, an increase of 1.2 percent above the prior year. This increase is attributable to the net of taxable property value increase offset by an adjustment for losses due to prior year tax revenue from Michigan tax tribunal appeals. The property tax revenue provided 94 percent of the revenue in the Police Fund. Federal and state grant revenue was 7.6 percent greater than the previous year. Other revenue in the Police Fund remained relatively the same as the prior year. Other financing sources in the Police Fund include a transfer from the Drug Forfeiture Fund in the amount of \$125 thousand. It also continues a transfer to the Police Fund from the Drug Enforcement Administration (DEA) Task Force Fund in the amount of \$200 thousand (\$145 thousand greater than the prior year).

Overall, Police Fund expenditures have increased by 2.6 percent from the prior year. This increase is attributable to salary and fringe benefit increases and capital purchases. Conservative revenue projections, unfilled vacant positions, and carefully controlled spending resulted in favorable budget variances at year end.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Fire Fund - Overall, Fire Fund revenue increased approximately 1.4 percent from the prior year. In January 2003, the voters approved a 1 mill property tax levy for the operations and maintenance of the fire department. In November 2013, the voters approved an additional 1.25 mill property tax levy for the operations and maintenance of the fire department, which generated an additional \$3.2 million for the Fire Fund. These two levies, along with the ongoing four special assessment mills, generated \$15.4 million this year in the Fire Fund, an increase of 1.2 percent above the prior year. This increase is attributable to the net of taxable property value increase offset by an adjustment for losses due to prior year tax revenue from Michigan tax tribunal appeals. The property tax revenue provided 99.2 percent of the revenue in the Fire Fund.

The new millage approved by voters in November 2013 also provides funding for the purchase of new vehicles and equipment for the fire department. A separate fund has been established to account for the transfer of funds and the purchase of all vehicles and equipment. However, as a result of implementing GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, the Fire Vehicle and Equipment Fund does not meet the definition of a special revenue type fund and, accordingly, has been included in the activity of the Fire Fund for the year ended March 31, 2015. Therefore, overall expenditures will include activity from both the Fire Fund and the Fire Vehicle and Equipment Replacement Funds.

Overall, Fire Fund expenditures have increased by approximately 7.5 percent from the prior year. This increase is attributable to additional staffing provided by the new millage and salary and fringe benefit increases. Conservative revenue projections, unfilled vacant positions, and carefully controlled spending resulted in favorable budget variances at year end.

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 is equal to the percentage of the number of case filings generated by that local community during the applicable period. As of December 31, 2014, the Township's share is 68 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 \$11,400,000, 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 2008-2009 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, water and sewer rates were increased by 3.5 percent and an additional fixed charge was instituted to pay for sewer cost increases and for additional debt issued on the Township's behalf through the County of Macomb for water and sewage disposal systems projects. In August 2011, October 2012, October 2013, and October 2014, water and sewer rates were increased an additional 9.3 percent, 7.7 percent, 5.8 percent, and 9.6 percent, respectively, which was the result of passing along the increase received from the City of Detroit. The fixed charges were also increased during the current fiscal year by \$10.5 million. Additional debt issued on behalf of the Township during the last four fiscal years was approximately \$22 million, \$8.2 million, 1.2 million, and \$2.7 million, respectively. During the fiscal year ended March 31, 2012, the Oakland-Macomb Interceptor Drainage District (OMID) was approved for approximately \$25.5 million of loans from the Michigan State Revolving Fund (SRF) (OMID Series 2010). As of the current year end, the Township's portion of the draws from the SRF was just over \$2.9 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, 2015, water and sewer operating revenue increased by approximately 4 percent, which is consistent with the increase to the water and sewer rate increases and offset by a reduction in water usage from the prior fiscal year to the current fiscal year. Water consumption during the year decreased 5 percent. Operating expenses increased by 2.8 percent, mainly due to the increase in the cost of water purchases and sewage treatment. General and administrative costs remained relatively the same as the prior year. Contributions of water lines from developers remain significantly lower than prior years.

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 fees) set between \$500 and \$580 for current residents, respectively, and between \$530 and \$610 for incoming residents, respectively, during the fiscal year ended March 31, 2015.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

The Senior Housing Fund received a subsidy of \$145 thousand from the General Fund in the fiscal year ended March 31, 2012 for the first time since its inception and received an additional \$75 thousand subsidy in the fiscal year ended March 31, 2013 to provide for current year expenditures not being met by current year revenues. For the fiscal year ended March 31, 2014, a subsidy was not necessary as revenues were sufficient to cover expenditures. For the fiscal year ended March 31, 2015, a subsidy of \$50 thousand from the General Fund was required.

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. During the 2013-2014 fiscal year, commercial trash hauling was eliminated.

Currently, single-family sanitation customers pay \$13 per month. The fiscal year ended March 31, 2010 saw the first increase in rates since February 2001.

The Sanitation Fund's net position has increased by \$161 thousand. The rate increase instituted on February 1, 2010 provided the funding needed in this fund to avoid future decreases in net position. Beginning with this fiscal year, the Township withdrew from 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. This authority provided for the disposal of rubbish collected in the Township. The Township receives collection and disposal services from one provider, which has resulted in a savings of \$356 thousand as of March 31, 2015.

The value of the Township's equity in the Grosse Pointe Clinton Authority has decreased by \$88.5 thousand.

Capital Asset and Debt Administration

The Township's investment in capital assets devoted to its governmental activities had a \$67.9 million historical cost invested in a wide range of capital assets, including land, buildings and improvements, furniture, equipment, and vehicles. Capital assets net of accumulated depreciation amount to \$38.8 million.

The Township's investment in capital assets devoted to its business-type activities had \$223.1 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 \$13.7 million, resulting primarily from water main and sanitary sewer replacements and improvements.

As of March 31, 2015, the Township had approximately \$195.7 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's latest government bond rating for the Township's General Obligation Bonds occurred in July 2014 when Standard & Poor's Rating Services (S&P) upgraded its municipal bond ratings from "AA" to "AA+". The Township's Water and Sewer Revenue bond rating remains at "AA-". 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 completed in 2008. 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 ended March 31, 2012, the Oakland-Macomb Interceptor Drainage District (OMID) was approved for approximately \$25.5 million of loans from the Michigan State Revolving Fund (SRF) (OMID Series 2010). As of the current fiscal year ended March 31, 2015, the Township's portion of the draws from the SRF loan was approximately \$2.9 million (see Note 5 of the notes to the basic financial statements for additional information).

Economic Factors and Future Budgets

Due to the Township's cost-cutting efforts in prior years, the Township is better positioned than most communities. Regularly updating the Township's financial forecast has allowed the Township to take corrective action early on.

The housing crisis which dramatically affected the Township appears to have leveled off. While the Township will never recover the lost property tax revenue, the passage in November 2013 of the additional millages for the police and fire departments will provide relative stability. The new millages have helped put the Township in a better position to balance its budgets in future years, also to increase staffing in the departments to provide the excellent services that the residents have become accustomed to. Unfortunately, the Township's future revenue growth is limited. The Township will only see an inflationary adjustment from property tax revenue going forward as most of the Township is developed and personal property tax for major manufacturers has been eliminated.

The Township board and Township administration will further develop the Township's financial strategy and continue fiscal responsibility while maintaining as many core services as possible. In the meantime, the Township will keep residents informed and ensure they continue to receive maximum value for their tax dollars.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Future Strategies Necessary

The Township has successfully approached challenging financial times in a comprehensive, long-term manner and weathered the financial storm and achieved financial stability. 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. The Township has low debt levels, high bond ratings, and excellent services funded by low property taxes and water and sewer rates. 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 Position March 31, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 69,324,114	\$ 22,573,236	\$ 91,897,350	\$ 252,750
Receivables:				
Property taxes receivable	2,520,859	-	2,520,859	-
Receivables from sales to customers on account	34,654	5,439,462	5,474,116	-
Other receivables	842,614	855	843,469	-
Due from other governmental units	5,603,824	483,548	6,087,372	-
Special assessments - Current	-	120,809	120,809	-
Due from component units	215	-	215	-
Internal balances (Note 4)	1,639,381	(1,639,381)	-	-
Inventory	-	630,755	630,755	-
Prepaid expenses and other assets	986,822	29,205	1,016,027	-
Restricted assets (Note 6)	-	3,483,893	3,483,893	-
Investment in joint ventures (Note 13)	1,740,882	457,006	2,197,888	-
Capital assets:				
Assets not subject to depreciation (Note 3)	3,691,633	28,097,460	31,789,093	-
Assets subject to depreciation - Net (Note 3)	35,127,334	128,737,250	163,864,584	794,896
Special assessment - Net of current portion	-	114,810	114,810	-
Total assets	121,512,332	188,528,908	310,041,240	1,047,646
Liabilities				
Accounts payable	1,075,502	4,591,850	5,667,352	9,204
Due to primary government	-	-	-	215
Due to other funds	-	-	-	6,777
Accrued liabilities and other	1,520,159	227,189	1,747,348	-
Unearned revenue (Note 12)	32,025	-	32,025	-
Net OPEB liability (Note 9)	666,854	-	666,854	-
Noncurrent liabilities (Note 5):				
Due within one year	3,545,124	4,044,995	7,590,119	-
Due in more than one year	22,602,567	51,706,199	74,308,766	-
Total liabilities	29,442,231	60,570,233	90,012,464	16,196
Net Position				
Net investment in capital assets	16,019,846	103,809,677	119,829,523	794,896
Restricted for:				
Fire department services	21,734,068	-	21,734,068	-
Police department services	27,661,241	-	27,661,241	-
Street light services	511,304	-	511,304	-
Drug forfeiture activities	274,122	-	274,122	-
Debt service	84,397	168,846	253,243	-
Bond covenants (Note 6)	-	1,571,952	1,571,952	-
Drainage services	242,020	-	242,020	-
DEA task force	351,843	-	351,843	-
Transportation	100,000	-	100,000	-
Accumulated long-term health benefits	273,617	-	273,617	-
Unrestricted	24,817,643	22,408,200	47,225,843	236,554
Total net position	\$ 92,070,101	\$ 127,958,675	\$ 220,028,776	\$ 1,031,450

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	\$ 3,342,846	\$ 145,970	\$ 1,709,894	\$ 120
Public safety	34,138,411	2,136,761	185,327	73,914
Public works	4,551,422	656,395	-	-
Community and economic development	1,212,208	-	-	-
Recreation and culture	2,530,297	586,259	-	-
Interest on long-term debt	993,295	-	-	-
Total governmental activities	46,768,479	3,525,385	1,895,221	74,034
Business-type activities:				
Water and Sewer Fund	31,154,138	33,983,309	260,482	363,611
Senior Housing Fund	1,586,644	2,056,834	-	-
Sanitation Fund	3,505,305	3,662,210	-	-
Special Assessment Fund	52,795	-	-	-
Total business-type activities	36,298,882	39,702,353	260,482	363,611
Total primary government	<u>\$ 83,067,361</u>	<u>\$ 43,227,738</u>	<u>\$ 2,155,703</u>	<u>\$ 437,645</u>
Component units:				
Economic Development Corporation	\$ 6,337	\$ -	\$ -	\$ -
Downtown Development Authority	64,653	-	-	-
Total component units	<u>\$ 70,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Other miscellaneous income				
Gain on sale of fixed assets				
Expense from joint venture				
Total general revenue				
Transfers (Note 4)				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities Year Ended March 31, 2015

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,486,862)	\$ -	\$ (1,486,862)	\$ -
(31,742,409)	-	(31,742,409)	-
(3,895,027)	-	(3,895,027)	-
(1,212,208)	-	(1,212,208)	-
(1,944,038)	-	(1,944,038)	-
(993,295)	-	(993,295)	-
(41,273,839)	-	(41,273,839)	-
-	3,453,264	3,453,264	-
-	470,190	470,190	-
-	156,905	156,905	-
-	(52,795)	(52,795)	-
-	4,027,564	4,027,564	-
(41,273,839)	4,027,564	(37,246,275)	-
-	-	-	(6,337)
-	-	-	(64,653)
-	-	-	(70,990)
37,956,934	-	37,956,934	10,224
7,890,713	-	7,890,713	-
93,387	66,615	160,002	22,100
2,940,286	-	2,940,286	-
745,139	-	745,139	-
(2,117)	-	(2,117)	-
49,624,342	66,615	49,690,957	32,324
50,152	(50,152)	-	-
8,400,655	4,044,027	12,444,682	(38,666)
83,669,446	123,914,648	207,584,094	1,070,116
\$ 92,070,101	\$ 127,958,675	\$ 220,028,776	\$ 1,031,450

Charter Township of Clinton

Governmental Funds Balance Sheet March 31, 2015

	General Fund	Fire Fund	Police Fund	Court Building Debt Service Fund	Nonmajor Funds	Total
Assets						
Cash and investments (Note 2)	\$ 17,473,063	\$ 21,083,446	\$ 27,047,064	\$ -	\$ 3,720,541	\$ 69,324,114
Receivables:						
Taxes	465,209	903,012	1,087,402	-	65,236	2,520,859
Customers	-	-	-	-	34,654	34,654
Other	577,225	22,086	228,044	-	15,259	842,614
Due from other governmental units	1,871,247	2,736	-	3,648,000	81,841	5,603,824
Due from component units	215	-	-	-	-	215
Due from other funds (Note 4)	2,693,090	-	-	-	101,152	2,794,242
Prepaid expenses and other assets	981,031	2,452	3,339	-	-	986,822
Total assets	\$ 24,061,080	\$ 22,013,732	\$ 28,365,849	\$ 3,648,000	\$ 4,018,683	\$ 82,107,344
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable	\$ 430,611	\$ 83,907	\$ 451,650	\$ -	\$ 109,334	\$ 1,075,502
Due to other funds (Note 4)	-	-	-	-	1,154,861	1,154,861
Accrued liabilities and other	100,429	195,757	230,883	-	3,276	530,345
Unearned revenue	9,950	-	22,075	-	-	32,025
Total liabilities	540,990	279,664	704,608	-	1,267,471	2,792,733
Deferred Inflows of Resources						
State-shared revenue (Note 12)	655,548	-	-	-	-	655,548
Long-term debt paid by other governments (Note 12)	-	-	-	3,648,000	-	3,648,000
Total deferred inflows of resources	655,548	-	-	3,648,000	-	4,303,548
Total liabilities and deferred inflows of resources	1,196,538	279,664	704,608	3,648,000	1,267,471	7,096,281
Fund Balances						
Nonspendable - Prepays	981,031	2,452	3,339	-	-	986,822
Restricted:						
Drainage	-	-	-	-	242,020	242,020
Police (\$13,482,161 for 2016 operations)	-	-	27,657,902	-	351,843	28,009,745
Fire (\$11,218,467 for 2016 operations and \$2,117,095 for equipment replacement)	-	21,731,616	-	-	-	21,731,616
Debt service	-	-	-	-	84,397	84,397
Drug forfeiture	-	-	-	-	274,122	274,122
Street lighting	-	-	-	-	511,304	511,304
Accumulated long-term health benefits	273,617	-	-	-	-	273,617
Transportation	-	-	-	-	100,000	100,000
Assigned:						
Workers' compensation claims	250,000	-	-	-	-	250,000
Accumulated long-term benefits	143,172	-	-	-	-	143,172
Capital projects	-	-	-	-	1,187,526	1,187,526
Unassigned	21,216,722	-	-	-	-	21,216,722
Total fund balances	22,864,542	21,734,068	27,661,241	-	2,751,212	75,011,063
Total liabilities, deferred inflows of resources, and fund balances	\$ 24,061,080	\$ 22,013,732	\$ 28,365,849	\$ 3,648,000	\$ 4,018,683	\$ 82,107,344

Charter Township of Clinton

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position March 31, 2015

Fund Balance Reported in Governmental Funds	\$ 75,011,063
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	38,818,967
Investments in joint ventures are not financial resources and are not reported in the funds	1,740,882
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures	4,303,548
Notes and bonds payable are not due and payable in the current period and are not reported in the funds	(22,799,121)
Accrued interest is not due and payable in the current period and is not reported in the governmental funds	(49,573)
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	(3,348,570)
Accrued workers' compensation liability is not reported in the governmental funds	(940,241)
Net other postemployment benefit liability is not reported in the governmental funds	<u>(666,854)</u>
Net Position of Governmental Activities	<u>\$ 92,070,101</u>

Charter Township of Clinton

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2015

	General Fund	Fire Fund	Police Fund	Court Building Debt Service	Nonmajor Funds	Total
Revenue						
Property taxes	\$ 2,311,734	\$ 15,415,016	\$ 18,523,116	\$ -	\$ 1,641,205	\$ 37,891,071
Licenses and permits	1,361,516	-	51,655	-	-	1,413,171
Federal sources	25,115	71,034	101,185	-	589,261	786,595
State-shared revenue and grants	8,157,238	-	84,809	-	-	8,242,047
Fines and forfeitures	-	-	-	-	477,967	477,967
Interest	46,347	41,953	52,926	-	5,165	146,391
Other revenue:						
Local donations	209,980	-	-	814,650	-	1,024,630
Other miscellaneous income	3,748,960	12,073	532,285	-	80,010	4,373,328
Total revenue	<u>15,860,890</u>	<u>15,540,076</u>	<u>19,345,976</u>	<u>814,650</u>	<u>2,793,608</u>	<u>54,355,200</u>
Expenditures						
Current:						
General government	5,490,683	-	-	-	242,616	5,733,299
Public safety	1,638,734	12,331,026	16,814,512	-	269,702	31,053,974
Public works	3,672,593	-	-	-	500,314	4,172,907
Community and economic development	622,947	-	-	-	589,261	1,212,208
Recreation and culture	2,277,576	-	-	-	-	2,277,576
Debt service:						
Principal	78,750	520,000	-	300,000	1,341,716	2,240,466
Interest on long-term debt	69,044	160,763	-	514,650	250,857	995,314
Total expenditures	<u>13,850,327</u>	<u>13,011,789</u>	<u>16,814,512</u>	<u>814,650</u>	<u>3,194,466</u>	<u>47,685,744</u>
Excess of Revenue Over (Under) Expenditures	2,010,563	2,528,287	2,531,464	-	(400,858)	6,669,456
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	735,022	6,617	3,500	-	-	745,139
Transfers in (Note 4)	-	-	325,000	-	417,853	742,853
Transfers out (Note 4)	(367,701)	-	-	-	(325,000)	(692,701)
Total other financing sources	<u>367,321</u>	<u>6,617</u>	<u>328,500</u>	<u>-</u>	<u>92,853</u>	<u>795,291</u>
Net Change in Fund Balances	2,377,884	2,534,904	2,859,964	-	(308,005)	7,464,747
Fund Balances - Beginning of year	<u>20,486,658</u>	<u>19,199,164</u>	<u>24,801,277</u>	<u>-</u>	<u>3,059,217</u>	<u>67,546,316</u>
Fund Balances - End of year	<u>\$ 22,864,542</u>	<u>\$ 21,734,068</u>	<u>\$ 27,661,241</u>	<u>\$ -</u>	<u>\$ 2,751,212</u>	<u>\$ 75,011,063</u>

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, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 7,464,747
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	1,135,424
Depreciation expense	(2,098,215)
Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	41,838
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,235,648
Interest expense is recorded in the statement of activities when incurred; it is not reported in the governmental funds until paid	6,837
The net other postemployment benefit liability is increased by the difference between the actuarial required contributions for postemployment benefits compared to the actual contributions remitted	(206,347)
Decrease in accumulated workers' compensation accrual increases net position in the statement of activities	(296,768)
Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	119,608
Income from joint ventures is not recorded in the funds	(2,117)
Change in Net Position of Governmental Activities	<u>\$ 8,400,655</u>

Charter Township of Clinton

Proprietary Funds Statement of Net Position March 31, 2015

	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)	\$ 20,644,649	\$ 287,879	\$ 1,464,369	\$ 176,339	\$ 22,573,236
Receivables:					
Special assessments receivable -					
Current	-	-	-	120,809	120,809
Customers	4,677,176	-	762,286	-	5,439,462
Other	-	855	-	-	855
Due from other governmental units	483,548	-	-	-	483,548
Due from other funds (Note 4)	-	-	355,059	-	355,059
Inventory	630,755	-	-	-	630,755
Prepaid expenses and other assets	9,125	20,080	-	-	29,205
	<u>26,445,253</u>	<u>308,814</u>	<u>2,581,714</u>	<u>297,148</u>	<u>29,632,929</u>
Total current assets					
Noncurrent assets:					
Restricted assets (Note 6)	3,483,893	-	-	-	3,483,893
Investment in joint ventures (Note 13)	-	-	457,006	-	457,006
Capital assets - Net (Note 3)	146,654,989	10,005,602	174,119	-	156,834,710
Special assessment - Net of current portion	-	-	-	114,810	114,810
	<u>150,138,882</u>	<u>10,005,602</u>	<u>631,125</u>	<u>114,810</u>	<u>160,890,419</u>
Total noncurrent assets					
Total assets					
	<u>176,584,135</u>	<u>10,314,416</u>	<u>3,212,839</u>	<u>411,958</u>	<u>190,523,348</u>
Liabilities					
Current liabilities:					
Accounts payable	4,288,600	82,192	220,051	1,007	4,591,850
Due to other funds (Note 4)	1,852,335	-	-	142,105	1,994,440
Accrued liabilities and other	150,329	76,860	-	-	227,189
Compensated absences - Less than one year (Note 5)	66,515	-	-	-	66,515
Current portion of long-term debt (Note 5)	2,852,298	1,026,182	-	100,000	3,978,480
	<u>9,210,077</u>	<u>1,185,234</u>	<u>220,051</u>	<u>243,112</u>	<u>10,858,474</u>
Total current liabilities					
Noncurrent liabilities:					
Compensated absences - Greater than one year (Note 5)	155,202	-	-	-	155,202
Refundable bonds and deposits	388,932	103,571	-	-	492,503
Long-term debt (Note 5)	48,627,366	2,431,128	-	-	51,058,494
	<u>49,171,500</u>	<u>2,534,699</u>	<u>-</u>	<u>-</u>	<u>51,706,199</u>
Total noncurrent liabilities					
Total liabilities					
	<u>58,381,577</u>	<u>3,719,933</u>	<u>220,051</u>	<u>243,112</u>	<u>62,564,673</u>
Net Position					
Net investment in capital assets	97,087,266	6,548,292	174,119	-	103,809,677
Restricted:					
Debt service	-	-	-	168,846	168,846
Bond covenants (Note 6)	1,571,952	-	-	-	1,571,952
Unrestricted	19,543,340	46,191	2,818,669	-	22,408,200
	<u>\$ 118,202,558</u>	<u>\$ 6,594,483</u>	<u>\$ 2,992,788</u>	<u>\$ 168,846</u>	<u>127,958,675</u>
Total net position					
					<u>\$ 127,958,675</u>
Net Position of Business-type Activities					<u>\$ 127,958,675</u>

Charter Township of Clinton

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended March 31, 2015

	Major Funds			Nonmajor	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Proprietary Fund Special Assessment Fund	
Operating Revenue					
Charges for sales and services	\$ 32,977,390	\$ -	\$ 3,632,283	\$ -	\$ 36,609,673
Rent	-	2,037,511	-	-	2,037,511
Other	481,088	19,323	2,310	-	502,721
Total operating revenue	33,458,478	2,056,834	3,634,593	-	39,149,905
Operating Expenses					
Cost of water and sewage disposal	17,941,419	-	-	-	17,941,419
Operation and maintenance	1,239,747	943,547	3,392,171	41,953	5,617,418
General and administrative	2,178,333	-	-	-	2,178,333
Salaries and fringe benefits	4,079,803	-	-	-	4,079,803
Depreciation	4,239,701	428,011	24,561	-	4,692,273
Total operating expenses	29,679,003	1,371,558	3,416,732	41,953	34,509,246
Operating Income (Loss)	3,779,475	685,276	217,861	(41,953)	4,640,659
Nonoperating Revenue (Expenses)					
Investment income	38,517	390	4,577	23,131	66,615
Bond issuance costs	(188,382)	-	-	-	(188,382)
Interest expense	(1,286,753)	(215,086)	-	(10,842)	(1,512,681)
Other nonoperating expenses	-	-	(88,573)	-	(88,573)
Other nonoperating revenue	55,905	-	27,617	-	83,522
Debt, capital charges, and tap fees	468,926	-	-	-	468,926
Federal interest subsidy	260,482	-	-	-	260,482
Total nonoperating (expenses) revenue	(651,305)	(214,696)	(56,379)	12,289	(910,091)
Income (Loss) - Before contributions	3,128,170	470,580	161,482	(29,664)	3,730,568
Capital Contributions - Lines donated by developers	363,611	-	-	-	363,611
Transfers In from Other Funds (Note 4)	-	50,000	-	-	50,000
Transfers Out (Note 4)	-	-	-	(100,152)	(100,152)
Change in Net Position	3,491,781	520,580	161,482	(129,816)	4,044,027
Net Position - Beginning of year	114,710,777	6,073,903	2,831,306	298,662	123,914,648
Net Position - End of year	\$ 118,202,558	\$ 6,594,483	\$ 2,992,788	\$ 168,846	\$ 127,958,675

Charter Township of Clinton

Proprietary Funds Statement of Cash Flows Year Ended March 31, 2015

	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	\$ 33,919,113	\$ 2,055,979	\$ 3,708,201	\$ 82,825	\$ 39,766,118
Payments to suppliers	(20,441,073)	(906,729)	(3,220,098)	(40,946)	(24,608,846)
Payments to employees	(4,108,936)	-	(313,648)	-	(4,422,584)
Internal activity - Payments to other funds	-	-	-	(224,858)	(224,858)
Net cash provided by (used in) operating activities	9,369,104	1,149,250	174,455	(182,979)	10,509,830
Cash Flows from Noncapital Financing Activities					
Operating grants and subsidies	55,905	-	-	-	55,905
Transfers from other funds	-	50,000	-	-	50,000
Net cash provided by noncapital financing activities	55,905	50,000	-	-	105,905
Cash Flows from Capital and Related Financing Activities					
Purchase of capital assets	(12,381,277)	-	(44,609)	-	(12,425,886)
Proceeds from (principal, issuance costs, and interest paid on) capital debt	7,219,162	(1,186,980)	-	(220,842)	5,811,340
Collection of debt, capital charges, and tap fees	468,926	-	-	-	468,926
Net cash used in capital and related financing activities	(4,693,189)	(1,186,980)	(44,609)	(220,842)	(6,145,620)
Cash Flows from Investing Activities -					
Interest received on investments	38,517	390	4,577	23,131	66,615
Net Increase (Decrease) in Cash and Cash Equivalents	4,770,337	12,660	134,423	(380,690)	4,536,730
Cash and Cash Equivalents - Beginning of year	17,446,264	275,219	1,329,946	557,029	19,608,458
Cash and Cash Equivalents - End of year	<u>\$ 22,216,601</u>	<u>\$ 287,879</u>	<u>\$ 1,464,369</u>	<u>\$ 176,339</u>	<u>\$ 24,145,188</u>

Charter Township of Clinton

Proprietary Funds Statement of Cash Flows (Continued) Year Ended March 31, 2015

	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	\$ 20,644,649	\$ 287,879	\$ 1,464,369	\$ 176,339	\$ 22,573,236
Restricted cash	1,571,952	-	-	-	1,571,952
Total cash and cash equivalents	<u>\$ 22,216,601</u>	<u>\$ 287,879</u>	<u>\$ 1,464,369</u>	<u>\$ 176,339</u>	<u>\$ 24,145,188</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 3,779,475	\$ 685,276	\$ 217,861	\$ (41,953)	\$ 4,640,659
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	4,239,701	428,011	24,561	-	4,692,273
Changes in assets and liabilities:					
Receivables	179,884	(855)	45,991	82,825	307,845
Due from others	39,328	-	-	(547)	38,781
Inventories	(207,792)	-	-	-	(207,792)
Prepaid and other assets	(5,663)	(507)	-	-	(6,170)
Accounts payable	1,020,240	37,325	(113,958)	1,007	944,614
Due to others	241,423	-	-	(224,311)	17,112
Accrued and other liabilities	82,508	-	-	-	82,508
Net cash provided by (used in) operating activities	<u>\$ 9,369,104</u>	<u>\$ 1,149,250</u>	<u>\$ 174,455</u>	<u>\$ (182,979)</u>	<u>\$ 10,509,830</u>
Significant Noncash Investing and Financing Transactions					
Contribution of capital assets from developers and other funds	\$ 363,611	\$ -	\$ -	\$ -	\$ 363,611
Capital asset additions related to County interceptor projects	5,244,330	-	-	-	5,244,330

Charter Township of Clinton

Fiduciary Funds Statement of Net Position March 31, 2015

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 587,158	\$ 2,343,543
Investments:		
Bank investment pools	2,590,904	-
U.S. government agency securities	3,623,687	-
Money market funds	4,439,480	-
U.S. Treasury notes	1,631,947	-
Hedge funds	9,208,285	-
Common stock	40,324,814	-
Mutual funds	42,872,522	-
Corporate bonds	13,601,887	-
Real estate investment trusts	5,369,174	-
Limited partnerships	21,969,646	-
Receivables	150	-
Due from component units	-	6,777
Cash and investments held as collateral for securities lending	1,863,113	-
Total assets	148,082,767	\$ 2,350,320
Liabilities		
Benefits payable and other liabilities	-	\$ 117,608
Due to other governmental units	-	1,442,691
Refundable deposits, bonds, etc.	-	790,021
Accrued liabilities and other	199,830	-
Amounts due broker under securities lending arrangements	1,863,113	-
Total liabilities	2,062,943	\$ 2,350,320
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 146,019,824	

Charter Township of Clinton

Fiduciary Funds Statement of Changes in Net Position Year Ended March 31, 2015

	<u>Pension and Other Employee Benefit Trust Funds</u>
Additions	
Investment income (loss):	
Interest and dividends	\$ 3,843,790
Net increase in fair value of investments	2,511,272
Investment-related expenses	<u>(837,780)</u>
Net investment income	5,517,282
Securities lending income - Interest and fees	<u>4,535</u>
Contributions:	
Employer	8,056,283
Employee	<u>995,827</u>
Total contributions	<u>9,052,110</u>
Total additions	14,573,927
Deductions	
Benefit payments and annuity withdrawals	14,429,562
Administrative expenses	<u>85,722</u>
Total deductions	<u>14,515,284</u>
Net Increase in Net Position Held in Trust	58,643
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year (Note 15)	<u>145,961,181</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 146,019,824</u></u>

Charter Township of Clinton

Component Units Statement of Net Position March 31, 2015

	Economic Development Corporation	Downtown Development Authority	Total
Assets			
Cash and investments (Note 2)	\$ 97,999	\$ 154,751	\$ 252,750
Capital assets being depreciated - Net (Note 3)	-	794,896	794,896
Total assets	97,999	949,647	1,047,646
Liabilities			
Accounts payable	-	9,204	9,204
Due to primary government	-	215	215
Due to other funds	-	6,777	6,777
Total liabilities	-	16,196	16,196
Net Position			
Net investment in capital assets	-	794,896	794,896
Unrestricted	97,999	138,555	236,554
Total net position	<u>\$ 97,999</u>	<u>\$ 933,451</u>	<u>\$ 1,031,450</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	\$ 6,337	\$ -	\$ -	\$ -
Downtown Development Authority - Public works	64,653	-	-	-
Total component units	\$ 70,990	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
Investment income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Component Units
Statement of Activities
Year Ended March 31, 2015**

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Economic Development Corporation</u>	<u>Downtown Development Authority</u>	<u>Total</u>
\$ (6,337)	\$ -	\$ (6,337)
<u>-</u>	<u>(64,653)</u>	<u>(64,653)</u>
(6,337)	(64,653)	(70,990)
-	10,223	10,223
<u>22,101</u>	<u>-</u>	<u>22,101</u>
<u>22,101</u>	<u>10,223</u>	<u>32,324</u>
15,764	(54,430)	(38,666)
<u>82,235</u>	<u>987,881</u>	<u>1,070,116</u>
<u>\$ 97,999</u>	<u>\$ 933,451</u>	<u>\$ 1,031,450</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

Note I - 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 Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended by Governmental Accounting Standards Board Statement No. 61, 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, 2015

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 position 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, 2015

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.

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.
- 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.
- 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.

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.

When an expense is incurred for purposes for which both restricted and unrestricted net position 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.

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

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

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 2014 taxable valuation (real and personal property) of the Township totaled \$2,562,793,805, on which ad valorem taxes levied consisted of .8245 mills for the Township's operating purposes, 2.2283 mills for fire operating purposes, 2.5000 mills for police operating purposes, and .4500 mills for the retirement of police building debt. The ad valorem taxes generated \$2,113,023 for general operations, \$5,710,673 for fire operations, \$6,406,985 for police operations, and \$1,153,257 for police building debt retirement. The 2014 real property taxable valuation of the Township totaled \$2,391,818,105, on which special assessments levied consisted of 5 mills for police operations and 4 mills for fire operations. The special assessment levies generated \$11,959,091 for police operations and \$9,567,272 for fire operations. The industrial facilities tax roll generated \$11,364 for general operations, \$46,695 for police operations, \$40,502 for fire operations, and \$6,202 for police building debt retirement. These amounts are recorded in their respective funds as tax revenue.

Assets, Liabilities, and Net Position 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.

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

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

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.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Township has two transactions that are reported as deferred inflows: long-term debt due from other governments and revenue that is not collected within 60 days of the end of the year, and therefore is not available under the governmental fund basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 as are unspent proceeds from such bonds.

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.

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

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

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, \$533,225 of interest expense was capitalized as part of the cost of assets under construction.

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 position. Bond premiums and discounts 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 recognized as an expense in the period incurred, except any portion related to prepaid insurance costs. Prepaid insurance costs are reported as an asset and recognized as an expense in a systematic and rational manner over the duration 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. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

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

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.

Fund Equity - 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** - Amounts for which there is 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, 2015

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, 2014		\$ (4,841,000)
Fiscal year 2015 building department activity:		
Permit revenue	\$ 1,365,000	
Expenditures	<u>(1,424,000)</u>	
Excess of expenditures over revenue		<u>(59,000)</u>
Cumulative expenditures over revenue - March 31, 2015		<u>\$ (4,900,000)</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 12 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, 2015

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, 2015, 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, 2015 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, 2015, 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, 2015 were \$1,863,113.

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 approximately \$96.1 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, 2015

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 Pension System had no bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Pension System 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.

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

Investment Type	Fair Value of Township Investments and Pension Trust Funds	Less Than 1 Year	1 to 5 Years	6 to 10 Years	Greater Than 10 Years
Bank investment pool	\$ 2,590,904	\$ 2,590,904	\$ -	\$ -	\$ -
U.S. government or agency securities	3,623,687	12	39,115	3,468	3,581,092
U.S. Treasury obligation	1,631,947	-	440,265	339,152	852,530
Corporate bonds	13,601,887	406,826	4,538,933	4,026,035	4,630,093

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	\$ 2,590,904	NR	Not rated
U.S. government agency	3,623,687	NR	Not rated
U.S. Treasury	161,947	NR	Not rated
Corporate bonds	13,601,887	NR - AAA	Standard & Poor's

Concentration of Credit Risk - The Township's investment policy minimizes the risk in placing a large portion of the portfolio with a single security issuer by limiting the exposure to 20 percent of the total portfolio.

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

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:

Security	Fair Value	Foreign Currency
Foreign fixed income mutual fund	\$ 435,209	Australian dollar
Foreign fixed income mutual fund	202,153	Brazilian real
Foreign fixed income mutual fund	302,594	British pound
Foreign fixed income mutual fund	416,855	Chilean peso
Foreign fixed income mutual fund	98,640	Euro
Foreign fixed income mutual fund	108,661	Malaysian ringgit
Foreign fixed income mutual fund	794,738	Mexican peso
Foreign fixed income mutual fund	20,530	New Zealand dollar
Foreign fixed income mutual fund	138,260	Polish zloty
Foreign fixed income mutual fund	246,847	South African rand
Foreign fixed income mutual fund	255,620	South Korean won

Note 3 - Capital Assets

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

	Balance April 1, 2014	Additions	Disposals	Balance March 31, 2015
Governmental Activities				
Capital assets not being depreciated - Land	\$ 3,691,633	\$ -	\$ -	\$ 3,691,633
Capital assets being depreciated:				
Buildings and building improvements	43,661,893	219,038	-	43,880,931
Operating equipment	6,332,021	202,138	(165,000)	6,369,159
Vehicles	6,172,568	347,543	(118,870)	6,401,241
Office furniture and equipment	5,328,615	366,705	(167,457)	5,527,863
Land improvements	2,988,703	-	-	2,988,703
Infrastructure assets	2,722,851	-	-	2,722,851
Subtotal	67,206,651	1,135,424	(451,327)	67,890,748
Accumulated depreciation:				
Buildings and building improvements	14,177,470	1,145,783	-	15,323,253
Operating equipment	4,590,155	365,682	(165,000)	4,790,837
Vehicles	5,340,633	300,221	(118,870)	5,521,984
Office furniture and equipment	4,764,227	134,843	(167,457)	4,731,613
Land improvements	1,891,024	97,229	-	1,988,253
Infrastructure assets	353,017	54,457	-	407,474
Subtotal	31,116,526	2,098,215	(451,327)	32,763,414
Net capital assets being depreciated	36,090,125	(962,791)	-	35,127,334
Net capital assets	\$ 39,781,758	\$ (962,791)	\$ -	\$ 38,818,967

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

Note 3 - Capital Assets (Continued)

	Balance April 1, 2014	Reclassifications	Additions	Disposals and Adjustments	Balance March 31, 2015
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
Construction in progress	18,359,674	(4,264,112)	13,001,898	-	27,097,460
Subtotal	19,359,674	(4,264,112)	13,001,898	-	28,097,460
Capital assets being depreciated:					
Structures, mains, and laterals	191,354,224	4,089,632	455,338	-	195,899,194
Meters	4,716,213	-	-	-	4,716,213
Buildings and improvements	15,926,975	-	-	-	15,926,975
Equipment	2,757,860	174,480	49,956	(15,585)	2,966,711
Vehicles	2,322,957	-	209,038	-	2,531,995
Furniture and fixtures	775,293	-	19,314	(82,969)	711,638
Land improvements	349,173	-	-	-	349,173
Subtotal	218,202,695	4,264,112	733,646	(98,554)	223,101,899
Accumulated depreciation:					
Structures, mains, and laterals	74,596,231	-	3,658,684	-	78,254,915
Meters	3,797,557	-	103,631	-	3,901,188
Buildings and improvements	6,625,537	-	404,733	-	7,030,270
Equipment	2,022,610	-	188,090	(15,585)	2,195,115
Vehicles	1,841,209	-	288,892	-	2,130,101
Furniture and fixtures	670,787	-	24,965	(82,969)	612,783
Land improvements	216,998	-	23,279	-	240,277
Subtotal	89,770,929	-	4,692,274	(98,554)	94,364,649
Net capital assets being depreciated	128,431,766	4,264,112	(3,958,628)	-	128,737,250
Net capital assets	\$ 147,791,440	\$ -	\$ 9,043,270	\$ -	\$ 156,834,710
Component Units					
Capital assets being depreciated - Land improvements	\$ 883,772	\$ -	\$ -	\$ -	\$ 883,772
Accumulated depreciation - Land improvements	64,100	24,776	-	-	88,876
Net capital assets being depreciated	\$ 819,672	\$ (24,776)	\$ -	\$ -	\$ 794,896

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

Note 3 - Capital Assets (Continued)

Construction in progress includes:

- \$14,511,235 of drain improvements constructed by the Oakland-Macomb Interceptor Drainage District (OMID). This represents the Township's portion of total OMID improvements. These improvements will be completed by OMID using state revolving loan funds and bonded debt. See Note 5 for additional information.
- \$6,548,363 of drain improvements constructed by the Macomb Interceptor Drainage District (MID). This represents the Township's portion of total MID improvements. 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	\$ 270,292
Public safety	1,109,461
Public works	125,797
Recreation and senior activities	281,944
Infrastructure assets constructed by special assessment fund	<u>310,721</u>
Total governmental activities	<u>\$ 2,098,215</u>

Business-type activities:

Water and sewer	\$ 4,239,701
Sanitation	24,561
Senior housing	<u>428,011</u>
Total business-type activities	<u>\$ 4,692,273</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Water and Sewer Fund	\$ 1,497,276
	Other nonmajor funds	1,195,814
	Total General Fund	2,693,090
Sanitation Fund	Water and Sewer Fund	355,059
Other nonmajor funds	Other nonmajor funds	101,152
	Total	<u>\$ 3,149,301</u>

Receivable Fund	Payable Fund	Amount
Due to/from Primary Government and Component Units		
General Fund	Downtown Development Authority	\$ 215
	Agency Funds	Downtown Development Authority
Total		<u>\$ 6,992</u>

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:

Receivable Fund	Payable Fund	Amount
Police Fund	Other nonmajor funds (1)	\$ 325,000
Senior Housing Fund	General Fund (2)	50,000
Other nonmajor funds	General Fund (2)	317,701
	Other nonmajor funds (2)	100,152
Total other nonmajor funds		417,853
Total		<u>\$ 792,853</u>

(1) Allowable transfer of forfeiture funds

(2) Transfer of discretionary funds to be used for the benefit of the community

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

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, 2015. 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, 2015

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						
Building Authority Refunding Bonds - Series 1998:*						
Amount of issue - \$10,390,000		\$276,318 -				
Maturing through 2017	5.50%	\$315,945	\$ 1,122,407	\$ (255,969)	\$ 866,438	\$ 276,320
Police Building Bonds - Series 1998:						
Amount of issue - \$8,000,000		\$600,000 -				
Maturing through 2018	4.00% - 4.75%	\$725,000	2,525,000	(550,000)	1,975,000	600,000
Police Building Bonds - Series 1999:						
Amount of issue - \$5,900,000		\$500,000 -				
Maturing through 2018	4.00%	\$600,000	2,100,000	(450,000)	1,650,000	500,000
Fire Building Refunding Bonds - Series 2011:						
Amount of issue - \$6,355,000		\$595,000 -				
Maturing through 2022	2.50% - 3.50%	\$710,000	5,075,000	(520,000)	4,555,000	595,000
41-B District Court Bonds - Series 2006:						
Amount of issue - \$13,500,000		\$400,000 -				
Maturing through 2031	4.00% - 4.50%	\$1,000,000	11,700,000	(300,000)	11,400,000	400,000
Capital Improvement Bonds - Series 2010:						
Amount of issue \$2,187,500		\$87,500 -				
Maturing through 2032	2.00% - 4.00%	\$157,500	2,030,000	(78,750)	1,951,250	87,500
MDOT Infrastructure Loan:						
Loan amount - \$477,720		\$48,471 -				
Maturing through 2019	1.00%	\$49,936	244,799	(47,991)	196,808	48,471
MDOT Infrastructure Loan:						
Loan amount - \$334,405		\$33,261 -				
Maturing through 2021	1.00%	\$34,962	237,561	(32,938)	204,623	33,261
Total bond/loan obligations			25,034,767	(2,235,648)	22,799,119	2,540,552
Other long-term obligations - Compensated absences						
			3,468,180	(119,608)	3,348,572	1,004,572
Total governmental activities			\$ 28,502,947	\$ (2,355,256)	\$ 26,147,691	\$ 3,545,124

* 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 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, 2015

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						
Building Authority Refunding Bonds - Series 1998:*						
Amount of issue - \$10,390,000		\$1,013,682 -				
Maturing through 2017	5.50%	\$1,159,055	\$ 4,117,592	\$ (939,031)	\$ 3,178,561	\$ 1,013,682
Capital Improvement Bonds - Series 2010:						
Amount of issue - \$312,500		\$12,500 -				
Maturing through 2032	2.00% - 4.00%	\$22,500	290,000	(11,250)	278,750	12,500
2004 Special Assessment Bonds - Limited Tax Bonds (Project Nos. P1000, P1006, P1018, P1029, and S1013):						
Amount of issue - \$1,115,000						
Maturing through 2014	3.80%	-	110,000	(110,000)	-	-
2006 Special Assessment Bonds - Limited Tax Bonds (Project Nos. S-1052, W-1053, an P-1056):						
Amount of issue - \$955,000						
Maturing through 2015	7.00%	\$100,000	200,000	(100,000)	100,000	100,000
Revenue bonds:						
Revenue Bonds - Series 2001:						
Amount of issue - \$8,000,000		\$450,000 -				
Maturing through 2022	4.00%	\$650,000	4,700,000	(425,000)	4,275,000	450,000
Revenue Refunding Bonds - Series 2004:						
Amount of issue - \$2,570,000		\$350,000 -				
Maturing through 2016	3.30% - 3.40%	\$350,000	990,000	(305,000)	685,000	350,000
Revenue Bonds - CWRF Project 5191-01:						
Amount of issue - \$1,405,000		\$70,000 -				
Maturing through 2024	2.125%	\$85,000	775,000	(70,000)	705,000	70,000
Revenue Bonds - SQWIF Project 3001-01:						
Amount of issue - \$270,000						
Maturing through 2024	1.625%	\$10,000	108,471	(10,000)	98,471	10,000
Revenue Bonds - Series 2006:						
Amount of issue - \$5,000,000		\$200,000 -				
Maturing through 2026	3.875% - 4.30%	\$400,000	4,200,000	(200,000)	4,000,000	200,000
Revenue Bonds - SRF Project 5525-01:						
Amount of issue - \$5,630,000		\$220,000 -				
Maturing through 2034	2.50%	\$335,000	-	4,816,949	4,816,949	220,000

* 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 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, 2015

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)						
County drain contract obligations:						
North Gratiot Interceptor Drainage District - Series 2010:						
Amount of issue - \$172,370		\$5,537 -				
Maturing through 2035	3.4% - 6.35%	\$9,906	\$ 153,117	\$ (5,436)	\$ 147,681	\$ 5,537
North Gratiot Interceptor Drainage District - Series 2008:						
Amount of issue - \$1,853,714		\$62,233 -				
Maturing through 2033	3.75% - 5.00%	\$99,573	1,584,866	(62,233)	1,522,633	62,233
2010A OMID Drainage District (SRF):						
Amount of issue - \$2,932,468		\$126,515 -				
Maturing through 2031	2.50%	\$183,869	2,580,362	(123,142)	2,457,220	126,515
2010B OMID Drainage District:						
Amount of issue - \$753,472		\$29,239 -				
Maturing through 2030	3.45% - 5.90%	\$58,481	653,946	(28,115)	625,831	29,239
2011 OMID Drainage District:						
Amount of issue - \$3,524,966		\$141,523 -				
Maturing through 2033	2.50%	\$220,224	2,562,381	371,621	2,934,002	141,523
2010A MID Drainage District:						
Amount of issue - \$18,226,352		\$598,523 -				
Maturing through 2035	1.25% - 5.38%	\$1,073,147	16,501,311	(588,992)	15,912,319	598,523
2011 MID Drainage District (Clintondale):						
Amount of issue - \$6,725,673		\$218,366 -				
Maturing through 2031	5.00%	\$545,915	6,212,513	(196,529)	6,015,984	218,366
2013A OMID Drainage District:						
Amount of issue - \$7,691,967		\$316,464 -				
Maturing through 2034	2.00%	\$461,117	1,386,892	4,119,677	5,506,569	316,464
2014A OMID Drainage District:						
Amount of issue - \$1,124,653		\$43,525 -				
Maturing through 2034	2.00% - 3.125%	\$73,837	\$ -	\$ 1,124,653	\$ 1,124,653	\$ 43,525
Total bond obligations			47,126,451	7,258,172	54,384,623	3,968,107
Other long-term obligations:						
Compensated absences			232,280	(10,563)	221,717	66,515
Bond issuance premium			359,463	(21,145)	338,318	21,145
Bond issuance discount			(226,203)	10,771	(215,432)	(10,772)
Deposits			410,986	81,516	492,502	-
Restricted assets held at county			517,968	11,498	529,466	-
Total business-type activities			48,420,945	7,330,249	55,751,194	4,044,995
Total primary government			\$ 76,923,892	\$ 4,974,993	\$ 81,898,885	\$ 7,590,119

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

Note 5 - Long-term Debt (Continued)

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
2016	\$ 2,540,550	\$ 907,148	\$ 3,447,698	\$ 3,968,107	\$ 2,162,842	\$ 6,130,949
2017	2,659,221	807,179	3,466,400	4,004,801	2,010,234	6,015,035
2018	2,941,819	708,599	3,650,418	3,928,020	1,860,943	5,788,963
2019	1,326,083	594,768	1,920,851	2,848,873	1,703,784	4,552,657
2020	1,400,861	550,533	1,951,394	2,969,034	1,603,903	4,572,937
2021-2025	5,359,337	2,034,447	7,393,784	15,105,867	6,355,356	21,461,223
2026-2030	5,265,000	996,200	6,261,200	13,782,518	3,666,308	17,448,826
2031-2035	1,306,248	57,425	1,363,673	7,777,403	1,182,697	8,960,100
Total	<u>\$ 22,799,119</u>	<u>\$ 6,656,299</u>	<u>\$ 29,455,418</u>	<u>\$ 54,384,623</u>	<u>\$ 20,546,067</u>	<u>\$ 74,930,690</u>

During the year ended March 31, 2014, the Oakland-Macomb Interceptor Drainage District (OMID) was approved for approximately \$65.1 million of loans from the Michigan State Revolving Fund (SRF) (OMID Series 2013A). As of year end, the Township's portion of the draws from the SRF was \$5,506,569, which includes draws of \$4,119,677 during the current year.

During the year ended March 31, 2015, the Oakland-Macomb Interceptor Drainage District (OMID) was approved for approximately \$7.7 million of loans from the Michigan State Revolving Fund (SRF) (OMID Series 2014A). As of year end, the Township's portion of the draws from the SRF was \$1,124,653, which is comprised entirely of current year draws.

During the year ended March 31, 2015, the Township was approved for approximately \$5.6 million of additional loans from the Michigan State Revolving Fund (SRF). As of year end, the Township's portion of the draws from the SRF was \$4,816,949, which is comprised entirely of current year draws.

No Commitment Debt

Excluded from the government-wide statement of net position 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.

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

Note 5 - Long-term Debt (Continued)

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 \$18,049,277. 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 \$7,367,871, compared to annual debt requirements of \$1,453,214.

Defeased Debt

In prior years, the Township defeased certain Building Authority Revenue Bonds and Fire Building 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, 2015, \$4,275,000 of Building Authority Bonds and \$5,175,000 of Fire Revenue Bonds outstanding are considered defeased.

Subsequent Bond Refundings

Subsequent to year end, the Township entered into agreements to refund outstanding bond obligations related to the General Obligation Capital Improvement Bonds, Series 2006, and Water and Sewer Revenue Bonds, Series 2001 and 2006. The total amount of the refundings were \$11,447,000 and \$7,528,000, respectively. The transactions closed on July 8, 2015.

Note 6 - Restricted Net Position

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, 2015 is funded by certificates of deposits and money market funds in the amount of \$1,571,952.

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

Note 6 - Restricted Net Position (Continued)

Unspent bond proceeds are as follows:

Due from Oakland County*	\$ 602,518
Due from Macomb County**	1,309,423

* 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 position has 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 self-funds 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 position.

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

	Workers' Compensation		Medical Benefits	
	2015	2014	2015	2014
Estimated liability (asset) - Beginning of year	\$ 643,473	\$ 955,460	\$ (713,125)	\$ (752,919)
Estimated claims incurred, including changes in estimates	664,958	1,775	6,813,419	5,815,100
Claim payments	(368,191)	(313,762)	(6,346,338)	(5,775,306)
Estimated liability (asset) - End of year	\$ 940,240	\$ 643,473	\$ (246,044)	\$ (713,125)

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

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, 2015, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Retainages Payable</u>	<u>Remaining Commitment</u>
Control panel improvement Relief Sewer A-Harper, Metro, and Glenwood	\$ -	\$ -	\$ 129,860
Barclay Estates Sanitary Lining	3,886,889	204,573	176,148
SCADA System Update	311,908	16,416	2,100
	414,261	-	128,439

Note 9 - Postemployment Benefits

The Township provides retiree healthcare benefits to full-time employees upon retirement in accordance with labor contracts. Membership in the plan included 251 retiree members and 327 active members as of September 1, 2012, 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.

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.

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

Note 9 - Postemployment Benefits (Continued)

The collective bargaining agreements require contributions from employees ranging from \$15 to \$50 per pay period. Beginning on April 1, 2011, new police and fire personnel within the plan are required to contribute 6 percent of their base salary. 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, in some years, 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, 2015, the Township has estimated the cost of providing retiree healthcare benefits through information provided by an actuarial valuation dated as of September 1, 2012. The valuation computes a contribution rate which is applied to a payroll value to derive an annual required contribution (ARC). The calculated ARC 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>2015</u>	<u>2014</u>
Annual required contribution	\$ 4,920,922	\$ 4,920,922
Amounts contributed:		
Payments of current premiums	(4,128,390)	(3,800,753)
Interest and other adjustments	(86,185)	-
Advance funding	<u>(500,000)</u>	<u>(200,000)</u>
Change in net OPEB liability	206,347	920,169
OPEB liability (asset) - Beginning of year	<u>460,507</u>	<u>(459,662)</u>
OPEB liability - End of year	<u>\$ 666,854</u>	<u>\$ 460,507</u>

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

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Annual OPEB Costs</u>	<u>Percentage Contributed</u>	<u>Net OPEB (Asset) Liability</u>
March 31, 2015	September 1, 2012	\$ 4,920,922	94 %	\$ 666,854
March 31, 2014	September 1, 2012	4,920,922	81	460,507
March 31, 2013	September 1, 2010	3,877,665	93	(459,662)

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

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, 2012	\$ 23,271,604	\$ 83,194,819	\$ 59,923,215	28.0 %	\$ 20,676,144	289.8 %
September 1, 2010	20,513,485	65,453,220	44,939,735	31.3	23,067,609	194.8
September 1, 2008	14,761,410	68,564,301	53,802,891	21.5	23,987,344	224.3

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 multi-year 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, 2012 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 5 percent. 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, 2012 was 30 years. The actuarial assumptions used in the September 1, 2012 valuation did not differ from those used in the September 1, 2010 valuation except for the medical care inflation rate. The valuation assumed a medical care inflation rate of 8 percent in the first year, decreasing in annual increments of 0.5 percent to the ultimate assumed level of 5 percent in the seventh year and beyond.

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

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, 2015, the Township made contributions of \$104,042 and the plan members contributed \$46,987 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 4.0 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, 2015, the Township's annual pension cost of \$3,427,893 for the plan was equal to the pension system's required and actual contribution.

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

Note 10 - Pension Plans (Continued)

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

	Fiscal Year Ended March 31		
	2015	2014	2013
Annual pension cost (APC)	\$ 3,427,893	\$ 3,768,283	\$ 3,397,420
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		
	2014	2013	2012
Actuarial value of assets	\$ 118,189,874	\$ 113,485,366	\$ 106,736,745
Actuarial accrued liability (AAL) (entry age)	\$ 133,699,664	\$ 126,309,250	\$ 120,820,565
Unfunded AAL (UAAL)	\$ 15,509,790	\$ 12,823,884	\$ 14,083,820
Funded ratio	88.4 %	89.8 %	88.3 %
Covered payroll	\$ 13,198,600	\$ 13,278,700	\$ 14,850,984
UAAL as a percentage of covered payroll	117.5 %	96.6 %	94.8 %

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year 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, 2013. 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 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, 2013 was 20 years.

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

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.

As of March 31, 2015, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 10,834,728
Reserve for employer contributions	36,710,875
Reserve for membership annuities	72,111,420

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.

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, 2015, the Township's annual pension cost of \$1,884,007 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, 2012, 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 13.0 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 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over a 26-year period for positive unfunded liabilities and a 10-year period for negative unfunded liabilities.

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

Note 10 - Pension Plans (Continued)

Three-year Trend Information

	Fiscal Year Ended March 31		
	2013	2014	2015
Annual pension cost (APC)	\$ 1,550,403	\$ 1,732,378	\$ 1,884,007
Percentage of APC contributed	100 %	100 %	100 %
	Actuarial Valuation as of December 31		
	2014	2013	2012
Actuarial value of assets	\$ 44,809,311	\$ 45,368,946	\$ 45,863,443
Actuarial accrued liability (AAL)			
(entry age)	\$ 64,580,306	\$ 65,271,671	\$ 67,496,147
Unfunded AAL (UAAL)	\$ 19,770,995	\$ 19,902,725	\$ 21,632,704
Funded ratio	69.4 %	69.5 %	68.0 %
Covered payroll	\$ 8,868,646	\$ 8,539,538	\$ 8,458,532
UAAL as a percentage of covered payroll	222.9 %	233.1 %	255.8 %

Note 11 - Defined Contribution Pension Plans

Charter Township of Clinton Group Pension Plan

The Township provides pension benefits to all elected officials through the Charter Township of Clinton Group Pension Plan, a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate in the plan on the first day of the month following the date the plan's eligibility requirements are met. As established by the plan, the Township contributes 17 percent of participating employees' compensation to the plan. Participating employees are required to contribute 3 percent of compensation to the plan and may make additional voluntary after-tax contributions of 1 percent to 5 percent of compensation. Employer contributions for each employee plus interest allocated to the employee's account are fully vested after 20 months of service.

The Township's total covered payroll during the current year was \$298,255, resulting in an employer contribution of \$50,703 and employee contributions of \$22,462.

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

Note 11 - Defined Contribution Pension Plans (Continued)

Clinton Township Public Safety Money Purchase Plan and Trust

The Township provides pension benefits through the Clinton Township Public Safety Money Purchase Plan and Trust, a defined contribution plan, to all of its full-time employees who have 25 years of service credit in the Charter Township of Clinton Fire and Police Pension System and are authorized by collective bargaining agreement to elect participation in the plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of completion of 25 years of service credit in the Charter Township of Clinton Fire and Police Pension System. As established by the plan, the Township contributes between 7 percent and 10 percent of participating employees' eligible compensation to the plan. Participating employees are required to contribute 7 percent of eligible compensation to the plan. Participating employees may also make voluntary after-tax contributions up to 5.5 percent of compensation, and the Township makes a matching contribution, provided that total employer and employee contributions do not exceed 25 percent of eligible compensation. Employer contributions plus interest allocated to the employee's account are fully vested immediately.

The Township's total covered payroll during the current year was \$574,229, resulting in an employer contribution of \$75,743 and employee contributions of \$68,326.

Note 12 - Deferred Inflows of Resources and Unearned Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds report unearned revenue 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 inflows of resources and unearned revenue are as follows:

	Governmental Funds			Government-wide Financial Statements
	Deferred Inflows of Resources	Unearned Revenue	Total	
State-shared revenue	\$ 655,548	\$ -	\$ 655,548	\$ -
Long-term due from other governments	3,648,000	-	3,648,000	-
Other grant revenue	-	32,025	32,025	32,025
Total	<u>\$ 4,303,548</u>	<u>\$ 32,025</u>	<u>\$ 4,335,574</u>	<u>\$ 32,025</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

Note 13 - Joint Ventures

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

The Township, in conjunction with 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.

The Township is also a member of the 41-B 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 position of the Court in the governmental activities statements based on the same allocation percentages as used to allocate revenue and expenses among participating communities.

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

Note 14 - Fund Balance Constraints

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

	<u>General Capital Projects Fund</u>
Fund Balances	
Restricted - Transportation	\$ 100,000
Assigned:	
Next year's budget	583,747
Cass Avenue loan principal and interest	201,753
Romeo Plank loan principal and interest	211,848
Technology	<u>190,178</u>
Total	<u>\$ 1,287,526</u>

Note 15 - Change in Accounting

During the current year, the Township adopted GASB Statement No. 67, *Financial Reporting for Pension Plans*. This statement required that the liability associated with the Township's Deferred Retirement Option Plan (DROP) is no longer recorded as a liability on the balance sheet of the Fire and Police Retirement System Trust fund.

The beginning net position of the Pension and Other Employee Benefit Trust funds has been restated as follows:

Net position - March 31, 2014 - As previously reported	\$ 142,099,356
Adjustment for implementation of GASB 67	<u>3,861,825</u>
Net position - March 31, 2014 - As restated	<u>145,961,181</u>

The effect on the change in net position of the prior year is as follows:

Change in net position - March 31, 2014 - As previously reported	\$ 6,835,651
Adjustment for implementation of GASB 67	<u>566,788</u>
Change in net position - March 31, 2014 - As restated	<u>\$ 7,402,439</u>

Note 16 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The Statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this Statement are effective for financial statements for the year ending March 31, 2016.

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Township is currently evaluating the impact this standard will have on the financial statements when adopted, during the Township's 2015-2016 fiscal year.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued in June 2015. This new accounting standard addresses reporting by postemployment benefit plans other than pensions (OPEB) that administer defined benefit OPEB benefits on behalf of governments. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. The provisions of this new standard are effective for financial statements for fiscal years beginning after June 15, 2016.

Charter Township of Clinton

Notes to Financial Statements March 31, 2015

Note 16 - Upcoming Accounting Pronouncements (Continued)

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Township to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its defined benefit retiree healthcare plan. The Statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending March 31, 2019.

Required Supplemental Information

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,341,300	\$ 2,333,500	\$ 2,311,734	\$ (21,766)
Licenses and permits	1,228,300	1,312,700	1,361,516	48,816
Federal grants	17,000	19,213	25,115	5,902
State-shared revenue and grants	8,049,832	8,049,832	8,157,238	107,406
Interest	65,000	65,000	46,347	(18,653)
Other revenue	3,607,254	3,799,970	3,958,943	158,973
Total revenue	15,308,686	15,580,215	15,860,893	280,678
Expenditures				
Current:				
General government	5,761,389	5,504,399	5,203,915	300,484
Public safety	1,508,183	1,450,707	1,426,443	24,264
Public works	3,919,822	3,776,173	3,657,710	118,463
Community and economic development	632,331	636,155	622,947	13,208
Recreation and culture	2,430,751	2,308,510	2,277,576	30,934
Debt service	147,244	147,794	147,794	-
Total expenditures	14,399,720	13,823,738	13,336,385	487,353
Excess of Revenue Over Expenditures	908,966	1,756,477	2,524,508	768,031
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	500,000	725,000	735,022	10,022
Transfers out	(317,702)	(392,701)	(367,701)	25,000
Total other financing sources	182,298	332,299	367,321	35,022
Net Change in Fund Balance	1,091,264	2,088,776	2,891,829	803,053
Fund Balance - Beginning of year	19,555,928	19,555,928	19,555,928	-
Fund Balance - End of year	<u>\$ 20,647,192</u>	<u>\$ 21,644,704</u>	<u>\$ 22,447,757</u>	<u>\$ 803,053</u>

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Fund Year Ended March 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 15,607,196	\$ 15,593,300	\$ 15,415,016	\$ (178,284)
Federal grants	-	47,505	71,034	23,529
Interest	25,000	30,000	41,953	11,953
Other revenue	11,000	13,500	12,073	(1,427)
Total revenue	15,643,196	15,684,305	15,540,076	(144,229)
Expenditures				
Current - Public safety	14,380,908	12,914,774	12,331,026	583,748
Debt service:				
Principal	520,000	520,000	520,000	-
Interest on long-term debt	160,313	160,763	160,763	-
Total expenditures	15,061,221	13,595,537	13,011,789	583,748
Excess of Expenditures Over Revenue	581,975	2,088,768	2,528,287	439,519
Other Financing Sources - Proceeds				
from sale of capital assets	-	7,000	6,617	(383)
Net Change in Fund Balance	581,975	2,095,768	2,534,904	439,136
Fund Balance - Beginning of year	19,199,164	19,199,164	19,199,164	-
Fund Balance - End of year	<u>\$ 19,781,139</u>	<u>\$ 21,294,932</u>	<u>\$ 21,734,068</u>	<u>\$ 439,136</u>

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Fund Year Ended March 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 18,753,500	\$ 18,743,100	\$ 18,523,116	\$ (219,984)
Licenses and permits	50,000	52,000	51,655	(345)
Federal grants	43,920	98,549	101,185	2,636
State-shared revenue and grants	83,000	83,000	84,809	1,809
Interest	20,000	30,000	52,926	22,926
Other revenue	348,433	320,673	532,285	211,612
Total revenue	19,298,853	19,327,322	19,345,976	18,654
Expenditures - Current - Public safety	18,041,198	17,503,620	16,814,512	689,108
Excess of Revenue Over Expenditures	1,257,655	1,823,702	2,531,464	707,762
Other Financing Sources				
Proceeds from sale of capital assets	22,000	3,500	3,500	-
Transfers in	220,000	325,000	325,000	-
Total other financing sources	242,000	328,500	328,500	-
Net Change in Fund Balance	1,499,655	2,152,202	2,859,964	707,762
Fund Balance - Beginning of year	24,801,277	24,801,277	24,801,277	-
Fund Balance - End of year	\$ 26,300,932	\$ 26,953,479	\$ 27,661,241	\$ 707,762

Charter Township of Clinton

Required Supplemental Information Pension System Schedule of Funding Progress and Employer Contributions Year Ended March 31, 2015

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
3/31/09	\$ 97,807,348	\$100,879,824	\$ 3,072,476	97.0 %	\$ 16,611,300	18.5 %
3/31/10	100,263,975	110,415,165	10,151,190	90.8	16,028,600	63.3
3/31/11	105,263,350	114,226,069	8,962,719	92.2	14,199,300	63.1
3/31/12	106,736,745	120,820,565	14,083,820	88.3	14,850,984	94.8
3/31/13	113,485,366	126,309,250	12,823,884	89.8	13,278,700	96.6
3/31/14	118,189,874	133,699,664	15,509,790	88.4	13,198,600	117.5

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
3/31/10	3/31/08	\$ 3,044,464	100 %
3/31/11	3/31/09	3,443,068	100
3/31/12	3/31/10	3,833,280	100
3/31/13	3/31/11	3,397,420	100
3/31/14	3/31/12	3,768,283	100
3/31/15	3/31/13	3,427,893	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, 2014, 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	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases**	5.0%
**Includes inflation at	4.5%
Cost of living adjustments	None

Charter Township of Clinton

Required Supplemental Information OPEB System Schedule Year Ended March 31, 2015

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
9/1/14	\$ 27,646,415	\$ 85,075,927	\$ 57,429,512	32.5	\$ 17,888,238	321.0
9/1/12	23,271,604	83,194,819	59,923,215	28.0	20,676,144	289.8
9/1/10	20,513,485	65,453,220	44,939,735	31.3	23,067,609	194.8

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual Required Contribution *	Percentage Contributed
3/31/15	\$ 4,920,922	94.1
3/31/14	4,920,922	81.3
3/31/13	3,877,665	92.7

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

Charter Township of Clinton

Note to Required Supplemental Information Year Ended March 31, 2015

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. The General Fund budgetary comparison schedule does not take into account the additional activity accounted for in the General Fund as a result of GASB Statement No. 54. 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, 2015 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	\$ 15,860,890	\$ 13,850,327	\$ 2,010,563
General government	-	(286,768)	286,768
Public safety	-	(212,291)	212,291
Public works	-	(14,883)	14,883
Amounts per General Fund budget statement	<u>\$ 15,860,890</u>	<u>\$ 13,336,385</u>	<u>\$ 2,524,505</u>

Other Supplemental Information

Charter Township of Clinton

Nonmajor Special Revenue Funds						
	Drainage	Community Development Block Grant	Drug Forfeiture	Street Lighting	DEA Task Force	Total Special Revenue Funds
Assets						
Cash and investments	\$ 243,159	\$ 932	\$ 279,593	\$ 543,563	\$ 352,843	\$ 1,420,090
Receivables:						
Taxes	-	-	-	-	-	-
Customers	-	-	-	34,654	-	34,654
Other receivables	-	15,259	-	-	-	15,259
Due from other governmental units	680	81,161	-	-	-	81,841
Due from other funds	-	-	1,000	-	-	1,000
Total assets	\$ 243,839	\$ 97,352	\$ 280,593	\$ 578,217	\$ 352,843	\$ 1,552,844
Liabilities						
Accounts payable	\$ 319	\$ 34,569	\$ 6,248	\$ 66,913	\$ -	\$ 108,049
Due to other funds	-	62,783	223	-	1,000	64,006
Accrued liabilities and other	1,500	-	-	-	-	1,500
Total liabilities	1,819	97,352	6,471	66,913	1,000	173,555
Fund Balances						
Restricted:						
Drainage	242,020	-	-	-	-	242,020
Police	-	-	-	-	351,843	351,843
Debt service	-	-	-	-	-	-
Drug forfeiture	-	-	274,122	-	-	274,122
Street lighting	-	-	-	511,304	-	511,304
Transportation	-	-	-	-	-	-
Assigned - Capital projects	-	-	-	-	-	-
Total fund balances	242,020	-	274,122	511,304	351,843	1,379,289
Total liabilities and fund balances	\$ 243,839	\$ 97,352	\$ 280,593	\$ 578,217	\$ 352,843	\$ 1,552,844

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2015**

Nonmajor Debt Service Funds			Nonmajor Capital Project Fund	Total Nonmajor Governmental Funds
Building Authority	Police Facility	Total Debt Service Funds	General Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 8,497	\$ 1,104,062	\$ 1,112,559	\$ 1,187,892	\$ 3,720,541
-	65,236	65,236	-	65,236
-	-	-	-	34,654
-	-	-	-	15,259
-	-	-	-	81,841
-	-	-	100,152	101,152
\$ 8,497	\$ 1,169,298	\$ 1,177,795	\$ 1,288,044	\$ 4,018,683
\$ -	\$ 767	\$ 767	\$ 518	\$ 109,334
253	1,090,602	1,090,855	-	1,154,861
-	1,776	1,776	-	3,276
253	1,093,145	1,093,398	518	1,267,471
-	-	-	-	242,020
-	-	-	-	351,843
8,244	76,153	84,397	-	84,397
-	-	-	-	274,122
-	-	-	-	511,304
-	-	-	100,000	100,000
-	-	-	1,187,526	1,187,526
8,244	76,153	84,397	1,287,526	2,751,212
\$ 8,497	\$ 1,169,298	\$ 1,177,795	\$ 1,288,044	\$ 4,018,683

Charter Township of Clinton

Nonmajor Special Revenue Funds						
	Drainage	Community Development Block Grant	Drug Forfeiture	Street Lighting	DEA Task Force	Total Special Revenue Funds
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ 480,311	\$ -	\$ 480,311
Federal sources	-	589,261	-	-	-	589,261
Fines and forfeitures	-	-	120,942	-	357,025	477,967
Interest	695	-	123	780	-	1,598
Other revenue	69,015	-	-	-	-	69,015
Total revenue	69,710	589,261	121,065	481,091	357,025	1,618,152
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	267,760	-	-	267,760
Public works	61,258	-	-	429,561	-	490,819
Community and economic development	-	589,261	-	-	-	589,261
Debt service:						
Principal	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-
Total expenditures	61,258	589,261	267,760	429,561	-	1,347,840
Excess of Revenue Over (Under) Expenditures	8,452	-	(146,695)	51,530	357,025	270,312
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(125,000)	-	(200,000)	(325,000)
Total other financing (uses) sources	-	-	(125,000)	-	(200,000)	(325,000)
Net Change in Fund Balances	8,452	-	(271,695)	51,530	157,025	(54,688)
Fund Balances - Beginning of year	233,568	-	545,817	459,774	194,818	1,433,977
Fund Balances - End of year	\$ 242,020	\$ -	\$ 274,122	\$ 511,304	\$ 351,843	\$ 1,379,289

**Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended March 31, 2015**

Nonmajor Debt Service Funds			Nonmajor Capital Project Fund	Total Nonmajor Governmental Funds
Building Authority	Police Facility	Total Debt Service Funds	General Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 1,160,894	\$ 1,160,894	\$ -	\$ 1,641,205
-	-	-	-	589,261
-	-	-	-	477,967
3	-	3	3,564	5,165
-	-	-	10,995	80,010
<u>3</u>	<u>1,160,894</u>	<u>1,160,897</u>	<u>14,559</u>	<u>2,793,608</u>
4,776	-	4,776	237,840	242,616
-	1,942	1,942	-	269,702
-	-	-	9,495	500,314
-	-	-	-	589,261
255,969	1,000,000	1,255,969	85,747	1,341,716
61,732	189,125	250,857	-	250,857
<u>322,477</u>	<u>1,191,067</u>	<u>1,513,544</u>	<u>333,082</u>	<u>3,194,466</u>
(322,474)	(30,173)	(352,647)	(318,523)	(400,858)
317,701	-	317,701	100,152	417,853
-	-	-	-	(325,000)
<u>317,701</u>	<u>-</u>	<u>317,701</u>	<u>100,152</u>	<u>92,853</u>
(4,773)	(30,173)	(34,946)	(218,371)	(308,005)
<u>13,017</u>	<u>106,326</u>	<u>119,343</u>	<u>1,505,897</u>	<u>3,059,217</u>
<u>\$ 8,244</u>	<u>\$ 76,153</u>	<u>\$ 84,397</u>	<u>\$ 1,287,526</u>	<u>\$ 2,751,212</u>

Charter Township of Clinton

Other Supplemental Information Combining Statement of Net Position Fiduciary Funds March 31, 2015

	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	\$ -	\$ 587,158	\$ 587,158	\$ 1,545,349	\$ 171,474	\$ 626,720	\$ 2,343,543
Investments:							
Bank investment pools	2,590,904	-	2,590,904	-	-	-	-
Money market funds	4,439,480	-	4,439,480	-	-	-	-
U.S. Treasury notes	1,631,947	-	1,631,947	-	-	-	-
Mutual funds	17,096,879	25,775,643	42,872,522	-	-	-	-
Common stock	40,324,814	-	40,324,814	-	-	-	-
U.S. government agency securities	3,623,687	-	3,623,687	-	-	-	-
Corporate bonds	13,601,887	-	13,601,887	-	-	-	-
Hedge funds	9,208,285	-	9,208,285	-	-	-	-
Real estate investment trusts	5,369,174	-	5,369,174	-	-	-	-
Limited partnerships	21,969,646	-	21,969,646	-	-	-	-
Cash and investments held as collateral for securities lending	1,863,113	-	1,863,113	-	-	-	-
Receivables	150	-	150	-	-	-	-
Due from component units	-	-	-	6,777	-	-	6,777
Total assets	121,719,966	26,362,801	148,082,767	\$ 1,552,126	\$ 171,474	\$ 626,720	\$ 2,350,320
Liabilities							
Benefits payable and other liabilities	199,830	-	199,830	\$ 109,435	\$ 1,800	\$ 6,373	\$ 117,608
Due to other governmental units	-	-	-	1,442,691	-	-	1,442,691
Refundable deposits, bonds, etc.	-	-	-	-	169,674	620,347	790,021
Amounts due broker under securities lending arrangements	1,863,113	-	1,863,113	-	-	-	-
Total liabilities	2,062,943	-	2,062,943	\$ 1,552,126	\$ 171,474	\$ 626,720	\$ 2,350,320
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 119,657,023	\$ 26,362,801	\$ 146,019,824				

Charter Township of Clinton

Other Supplemental Information Combining Statement of Changes in Net Position Fiduciary Funds Year Ended March 31, 2015

	Fire and Police Pension System	Public Employee Healthcare	Total
Additions			
Investment income (loss):			
Interest and dividends	\$ 3,036,919	\$ 806,871	\$ 3,843,790
Net appreciation in fair value of investments	3,057,474	(546,202)	2,511,272
Investment-related expenses	(837,780)	-	(837,780)
Net investment income	5,256,613	260,669	5,517,282
Securities lending income:			
Interest and fees	7,084	-	7,084
Less borrower rebates and fees	(2,549)	-	(2,549)
Net securities lending income	4,535	-	4,535
Contributions:			
Employer	3,427,893	4,628,390	8,056,283
Employee	995,827	-	995,827
Total contributions	4,423,720	4,628,390	9,052,110
Total additions	9,684,868	4,889,059	14,573,927
Deductions			
Benefit payments and annuity withdrawals	10,301,172	4,128,390	14,429,562
Administrative expenses	85,722	-	85,722
Total deductions	10,386,894	4,128,390	14,515,284
Net (Decrease) Increase in Net Position Held in Trust	(702,026)	760,669	58,643
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year (as restated)	120,359,049	25,602,132	145,961,181
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year (as restated)	<u>\$ 119,657,023</u>	<u>\$ 26,362,801</u>	<u>\$ 146,019,824</u>