

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

**Financial Report
with Supplemental Information
March 31, 2016**

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, 2016, 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, 2016, 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 16 to the basic financial statements, effective March 31, 2016, the Township adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. In accordance with GASB Statement No. 68, the Township is now recognizing its unfunded pension benefit obligation as a liability on the statement of net position for the first time. This statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). 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 \$39 million at March 31, 2016 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, schedules of changes in the Township's net pension liability and related ratios, schedule of township contributions, OPEB schedule of funding progress and employer contributions, and the major 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.

To the Board of Trustees
Charter Township of Clinton

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.

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 15, 2016 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

August 25, 2016

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, 2016. 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 16-18. 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 19-31. 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, 2016 and 2015:

Summary Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current Assets	\$ 86,343.5	\$ 82,693.3	\$ 29,333.5	\$ 27,974.6	\$ 115,677.0	\$ 110,667.9
Noncurrent Assets						
Restricted assets	-	-	3,840.7	3,483.9	3,840.7	3,483.9
Special assessments	-	-	1,249.5	235.6	1,249.5	235.6
Net OPEB asset	4,107.2	-	-	-	4,107.2	-
Capital assets	<u>38,062.0</u>	<u>38,819.0</u>	<u>165,619.9</u>	<u>156,834.8</u>	<u>203,681.9</u>	<u>195,653.8</u>
Total assets	128,512.7	121,512.3	200,043.6	188,528.9	328,556.3	310,041.2
Deferred Outflows of Resources -						
Pension	23,316.6	-	2,016.3	-	25,332.9	-
Liabilities						
Current liabilities	5,903.3	6,839.6	8,407.6	4,819.0	14,310.9	11,658.6
Net pension liability	70,890.8	-	9,737.3	-	80,628.1	-
Long-term liabilities	<u>19,929.9</u>	<u>22,602.6</u>	<u>55,234.2</u>	<u>55,751.2</u>	<u>75,164.1</u>	<u>78,353.8</u>
Total liabilities	<u>96,724.0</u>	<u>29,442.2</u>	<u>73,379.1</u>	<u>60,570.2</u>	<u>170,103.1</u>	<u>90,012.4</u>
Deferred Inflows of Resources -						
Pension	47.0	-	-	-	47.0	-
Net Position						
Net investment in capital assets	17,730.5	16,019.8	108,889.1	103,809.7	126,619.6	119,829.5
Restricted	15,919.4	51,232.6	2,951.1	1,740.8	18,870.5	52,973.4
Unrestricted	<u>21,408.4</u>	<u>24,817.7</u>	<u>16,780.6</u>	<u>22,408.2</u>	<u>38,189.0</u>	<u>47,225.9</u>
Total net position	<u>\$ 55,058.3</u>	<u>\$ 92,070.1</u>	<u>\$ 128,620.8</u>	<u>\$ 127,958.7</u>	<u>\$ 183,679.1</u>	<u>\$ 220,028.8</u>

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Total net position related to the Township's governmental activities decreased approximately \$37.0 million. During the current year, the Township adopted GASB Statement Number 68, *Accounting and Financial Reporting for Pensions*. As a result, beginning net position in the governmental activities was reduced by \$41.2 million (see Note 16 - Change in Accounting for details). In addition, \$6.4 million of accrued pension cost related to the current year are recorded as a liability in the governmental activities. The Township doubled its contribution to the Retiree Health Care fund, increasing the OPEB asset, thus increasing governmental activities net position by \$4.8 million. An approximate \$4.4 million increase resulted from revenue exceeding expenditures across most governmental funds due to favorable budget variances across most of the governmental funds due to the close monitoring of expenditures and a lag in the hiring of unfilled full-time vacant positions in the Police department. The police department is in the process of hiring the additional personnel that was provided for with the additional millage approved by the citizens in November 2013. A \$570 thousand increase in net position is the result of a reduction in the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. Net position was increased by approximately \$47.8 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 22.

For the year ended March 31, 2016, the Township continues to record its liability/asset (in the Township's case for March 31, 2016, it is an asset) in accordance with Governmental Accounting Standards Board Statement No. 45 (GASB Statement 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 13 of these financial statements is \$ 4.1 million at March 31, 2016.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

The following table shows the changes in net position (in thousands of dollars) during the years ended March 31, 2016 and 2015:

Summary Condensed Income Statement

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue						
Program revenue:						
Charges for services	\$ 3,412.8	\$ 3,525.4	\$ 45,232.0	\$ 39,702.4	\$ 48,644.8	\$ 43,227.8
Operating grants and contributions	2,110.2	1,895.2	267.8	260.5	2,378.0	2,155.7
Capital grants and contributions	22.1	74.0	1,619.5	363.6	1,641.6	437.6
General revenue:						
Property taxes	39,391.4	37,956.9	-	-	39,391.4	37,956.9
State-shared revenue	7,659.4	7,890.7	-	-	7,659.4	7,890.7
Interest	107.8	93.3	75.8	66.6	183.6	159.9
Miscellaneous	3,773.3	3,683.3	11.8	-	3,785.1	3,683.3
Total revenue	56,477.0	55,118.8	47,206.9	40,393.1	103,683.9	95,511.9
Program Expenses						
General government	1,552.8	3,342.7	-	-	1,552.8	3,342.7
Public safety	40,871.1	34,138.4	-	-	40,871.1	34,138.4
Public works	5,028.1	4,551.4	-	-	5,028.1	4,551.4
Recreation and culture	2,458.4	2,530.3	-	-	2,458.4	2,530.3
Community and economic development	1,538.8	1,212.2	-	-	1,538.8	1,212.2
Interest on long-term debt	843.1	993.3	-	-	843.1	993.3
Water and sewer	-	-	35,226.3	31,154.1	35,226.3	31,154.1
Senior housing	-	-	1,460.7	1,586.6	1,460.7	1,586.6
Sanitation	-	-	3,517.4	3,505.3	3,517.4	3,505.3
Special assessments	-	-	104.4	52.8	104.4	52.8
Total program expenses	52,292.3	46,768.3	40,308.8	36,298.8	92,601.1	83,067.1
Change in Net Position - Before transfers	4,184.7	8,350.5	6,898.1	4,094.3	11,082.8	12,444.8
Transfers	10.2	50.2	(10.2)	(50.2)	-	-
Change in Net Position	4,194.9	8,400.7	6,887.9	4,044.1	11,082.8	12,444.8
Net Position - Beginning of year (as restated)	50,863.4	83,669.4	121,732.9	123,914.6	172,596.3	207,584.0
Net Position - End of year	\$ 55,058.3	\$ 92,070.1	\$ 128,620.8	\$ 127,958.7	\$ 183,679.1	\$ 220,028.8

Property taxes are the primary source of revenue for the governmental activities, providing approximately 69.7 percent of the total. State-shared revenue provides another 13.6 percent, user charges provide 6 percent, and grants and contributions provide 3.8 percent, leaving only 6.9 percent being provided by all other sources.

Property taxes, the largest source of general government revenue, experienced a net increase of approximately 3.8 percent due to an increase in taxable property values of approximately 3.4 percent, offset by a decrease in losses on prior year tax revenues from Michigan tax tribunal appeals. This is the second consecutive year of taxable property value increases in the Township in the past seven 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.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

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 \$231 thousand decrease from the previous year and continues at the reduced levels of recent years. The amount received from the State during the fiscal year ended March 31, 2016 was approximately \$2.5 million (24.5 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)). The CVTRS program continued for the fiscal year ended March 31, 2016. 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 \$413 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 \$170.7 thousand 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 3.4 percent, or \$79.9 thousand, in the General Fund. The 3.4 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, decreased by 2.2 percent, or \$180 thousand, mainly due to an decrease of constitutional state revenue-sharing payments from the State of Michigan. The \$413 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 6.9 percent, or \$153 thousand, from the prior year. Proceeds from the sale of fixed assets have decreased by \$227 thousand from the prior year due to a decrease in the sales of forfeited properties that the Township purchases from Macomb County. Fees and permit revenue decreased by 2.0 percent, or \$27.8 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 \$29 thousand higher than the prior year. The DPW revenues have decreased by approximately \$98.8 thousand due to decreases in paving inspections, weed control fees, and reimbursements from the Sanitation fund. 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 have increased by 13.4 percent, or \$2.0 million, above the prior year. Approximately \$1.0 million of the increase was the Township's additional contribution above the annual required contribution to the Retiree Health Care Fund. Approximately \$500 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. A transfer in the amount of \$1.0 million was transferred to the Capital Improvement Fund for repaving of the Civic Center parking. Total capital outlay was approximately \$500 thousand less than the prior year, primarily due the reduction in purchase price tax-forfeited property from Macomb County.

During the current fiscal year ended March 31, 2016, the Township discontinued the Postemployment Benefit fund and makes contributions and expenditures directly from the Retiree Health Care trust fund. Accordingly, the activity of the Postemployment Benefit fund is no longer included in the activity of the General fund as in prior years.

Police Fund - Overall, Police Fund revenue increased by approximately 3.1 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 \$2.67 million for the Police Fund. These two levies, along with the ongoing five special assessment mills, generated \$19.1 million this year in the Police Fund, an increase of 3.5 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 94.8 percent of the revenue in the Police Fund. Federal and state grant revenue was 32.4 percent less 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 (equivalent to the prior year).

Overall, Police Fund expenditures have increased by 6.4 percent from the prior year. This increase is attributable to salary and fringe benefit increases, the hiring of additional personnel, and the additional contribution above the annual required contribution to the Retiree Health Care Fund. 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 3.7 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 \$3.3 million for the Fire Fund. These two levies, along with the ongoing four special assessment mills, generated \$16.0 million this year in the Fire Fund, an increase of 3.5 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, 2016. 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 18.8 percent from the prior year. This increase is attributable to additional staffing provided by the new millage, salary and fringe benefit increases, the additional contribution above the annual required contribution to the Retiree Health Care Fund, and capital purchases.

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, 2015, the Township's share is 67 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 \$11,073,000, 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, October 2014, and October 2015 water and sewer rates were increased an additional 9.3 percent, 7.7 percent, 5.8 percent, 9.6 percent, and 12.0 percent, respectively, which was the result of passing along the increase received from the City of Detroit. Additional debt issued on behalf of the Township during the last six fiscal years was approximately \$22 million, \$8.2 million, \$1.2 million, \$2.7 million, \$10.6 million, and \$17.2 million, respectively. 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, 2016, water and sewer operating revenue increased by approximately 12.1 percent, which is consistent with the increase to the water and sewer rate increases. Water consumption during the year increased 2.8 percent. Operating expenses increased by 12.5 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. Salaries and fringe benefits increased by 48 percent, or \$1.9 million, from the prior year mainly due to the recording of the pension expense related to GASB 68 of \$1.5 million and the additional contribution above the annual required contribution to the Retiree Health Care Fund in the amount of \$348 thousand.

Contributions of water lines from developers are significantly higher 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 \$510 and \$590 for current residents, respectively, and between \$540 and \$620 for incoming residents, respectively, during the fiscal year ended March 31, 2016.

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. For the fiscal year ended March 31, 2016, a subsidy was not necessary.

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 \$141 thousand. The rate increase instituted on February 1, 2010 provided the funding needed in this fund to avoid future decreases in net position. In the prior 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 an ongoing savings to the Township.

The value of the Township's equity in the Grosse Pointe Clinton Authority has decreased by \$221.5 thousand.

The Township has extended a second contract extension with Rizzo Environmental Services effective April 1, 2016. The extension includes a new fully automated waste cart service program and bulk collection. The program requires residents to utilize 96-gallon trash carts for the disposal of trash. The carts will be purchased by the Township using the fund balance in the Sanitation Fund at an initial cost of approximately \$1 million. As a result of the new program, an increase in the \$13 monthly rate to \$14.75 monthly will be charged to the customers beginning April 1, 2017.

Capital Asset and Debt Administration

The Township's investment in capital assets devoted to its governmental activities had a \$67.7 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 \$33.3 million.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

The Township's investment in capital assets devoted to its business-type activities had \$238.9 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 \$13.5 million, resulting primarily from water main and sanitary sewer replacements and improvements.

As of March 31, 2016, the Township had approximately \$203.7 million in capital assets, net of accumulated depreciation (see Note 3 of the notes to the basic financial statements for additional information).

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. Over the past six years, the Oakland-Macomb Interceptor Drainage District (OMID) was approved loans from the Michigan State Revolving Fund (SRF) (OMID Series 2010, 2011, 2013, 2014 and 2015). As of the current fiscal year ended March 31, 2015, the Township's portion of the draws from the SRF loan was approximately \$18.3 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, and 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.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

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.

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, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 75,923,024	\$ 21,800,203	\$ 97,723,227	\$ 194,428
Receivables:				
Property taxes receivable	2,228,265	-	2,228,265	-
Receivables from sales to customers on account	33,498	6,258,217	6,291,715	-
Other receivables	907,257	10,068	917,325	-
Due from other governmental units	5,564,985	495,108	6,060,093	-
Special assessments - Current	-	140,253	140,253	-
Due from component units	678	-	678	-
Internal balances (Note 4)	(67,655)	67,655	-	-
Inventory	-	432,442	432,442	-
Prepaid expenses and other assets	822,483	34,254	856,737	-
Restricted assets (Note 6)	-	3,840,661	3,840,661	-
Investment in joint ventures (Note 9)	930,893	235,494	1,166,387	-
Net OPEB asset (Note 13)	4,107,241	-	4,107,241	-
Capital assets:				
Assets not subject to depreciation (Note 3)	3,691,633	25,611,776	29,303,409	-
Assets subject to depreciation - Net (Note 3)	34,370,416	140,008,170	174,378,586	770,120
Special assessment - Net of current portion	-	1,049,242	1,049,242	-
Total assets	128,512,718	199,983,543	328,496,261	964,548
Deferred Outflows of Resources - Pension (Notes 11 and 12)	23,316,587	2,016,363	25,332,950	-
Liabilities				
Accounts payable	970,606	3,759,654	4,730,260	461
Due to primary government	-	-	-	678
Accrued liabilities and other	1,206,850	179,697	1,386,547	-
Unearned revenue (Note 14)	23,316	-	23,316	-
Net pension liability (Notes 11 and 12)	70,890,864	9,737,270	80,628,134	-
Noncurrent liabilities: (Note 5)				
Due within one year	3,702,451	4,468,215	8,170,666	-
Due in more than one year	19,929,884	55,234,231	75,164,115	-
Total liabilities	96,723,971	73,379,067	170,103,038	1,139
Deferred Inflows Related to Pensions (Note 12)	47,016	-	47,016	-
Net Position				
Net investment in capital assets	17,730,478	108,889,140	126,619,618	770,120
Restricted for:				
Fire department services	3,201,606	-	3,201,606	-
Police department services	7,645,150	-	7,645,150	-
Street light services	547,190	-	547,190	-
Drug forfeiture activities	190,595	-	190,595	-
Debt service	3,694,725	-	3,694,725	-
Bond covenants (Note 6)	-	1,574,811	1,574,811	-
Drainage services	292,110	-	292,110	-
DEA task force	248,065	-	248,065	-
Transportation	100,000	-	100,000	-
Capital projects	-	1,376,292	1,376,292	-
Unrestricted	21,408,399	16,780,596	38,188,995	193,289
Total net position	\$ 55,058,318	\$128,620,839	\$183,679,157	\$ 963,409

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	\$ 3,770,160	\$ 224,057	\$ 1,999,445	\$ 120
Public safety	38,653,754	1,845,064	110,786	21,989
Public works	5,028,140	730,403	-	-
Community and economic development	1,538,850	-	-	-
Recreation and culture	2,458,379	613,263	-	-
Interest on long-term debt	843,060	-	-	-
Total governmental activities	52,292,343	3,412,787	2,110,231	22,109
Business-type activities:				
Water and Sewer Fund	35,226,351	38,162,259	267,764	1,619,547
Senior Housing Fund	1,460,672	2,109,257	-	-
Sanitation Fund	3,517,381	3,652,930	-	-
Special Assessment Fund	104,391	1,307,598	-	-
Total business-type activities	40,308,795	45,232,044	267,764	1,619,547
Total primary government	\$ 92,601,138	\$ 48,644,831	\$ 2,377,995	\$ 1,641,656
Component units:				
Economic Development Corporation	\$ 2,736	\$ -	\$ -	\$ -
Downtown Development Authority	93,811	-	-	-
Total component units	\$ 96,547	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Other miscellaneous income				
Gain on sale of fixed assets				
Total general revenue				
Transfers (Note 4)				
Change in Net Position				
Net Position - Beginning of year (as restated) (Note 16)				
Net Position - End of year				

Statement of Activities Year Ended March 31, 2016

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,546,538)	\$ -	\$ (1,546,538)	\$ -
(36,675,915)	-	(36,675,915)	-
(4,297,737)	-	(4,297,737)	-
(1,538,850)	-	(1,538,850)	-
(1,845,116)	-	(1,845,116)	-
(843,060)	-	(843,060)	-
(46,747,216)	-	(46,747,216)	-
-	4,823,219	4,823,219	-
-	648,585	648,585	-
-	135,549	135,549	-
-	1,203,207	1,203,207	-
-	6,810,560	6,810,560	-
(46,747,216)	6,810,560	(39,936,656)	-
-	-	-	(2,736)
-	-	-	(93,811)
-	-	-	(96,547)
39,391,408	-	39,391,408	25,184
7,659,389	-	7,659,389	-
107,847	75,799	183,646	3,322
3,233,042	-	3,233,042	-
540,238	11,788	552,026	-
50,931,924	87,587	51,019,511	28,506
10,201	(10,201)	-	-
4,194,909	6,887,946	11,082,855	(68,041)
50,863,409	121,732,893	172,596,302	1,031,450
\$ 55,058,318	\$ 128,620,839	\$ 183,679,157	\$ 963,409

Charter Township of Clinton

Governmental Funds Balance Sheet March 31, 2016

Assets	General Fund	Fire Fund	Police Fund	Court Building	Nonmajor	Total
				Debt Service Fund		
Cash and investments (Note 2)	\$ 20,190,911	\$ 21,956,006	\$ 29,239,119	\$ -	\$ 4,536,988	\$ 75,923,024
Receivables:						
Taxes	412,601	797,029	959,779	-	58,856	2,228,265
Customers	-	-	-	-	33,498	33,498
Other	688,993	1,211	217,053	-	-	907,257
Due from other governmental units	1,843,386	-	-	3,630,000	91,599	5,564,985
Due from component units	678	-	-	-	-	678
Due from other funds (Note 4)	1,214,070	-	-	-	11,201	1,225,271
Prepaid expenses and other assets	804,205	8,738	9,540	-	-	822,483
Total assets	\$ 25,154,844	\$ 22,762,984	\$ 30,425,491	\$ 3,630,000	\$ 4,732,142	\$ 86,705,461
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable	\$ 471,125	\$ 152,156	\$ 184,495	\$ -	\$ 162,830	\$ 970,606
Due to other funds (Note 4)	96,610	-	-	-	1,196,316	1,292,926
Accrued liabilities and other	415,338	206,776	170,464	-	2,331	794,909
Unearned revenue	12,800	-	10,516	-	-	23,316
Total liabilities	995,873	358,932	365,475	-	1,361,477	3,081,757
Deferred Inflows of Resources						
State-shared revenue (Note 14)	620,273	-	-	-	-	620,273
Long-term debt paid by other governments (Note 14)	-	-	-	3,630,000	-	3,630,000
Total deferred inflows of resources	620,273	-	-	3,630,000	-	4,250,273
Total liabilities and deferred inflows of resources	1,616,146	358,932	365,475	3,630,000	1,361,477	7,332,030
Fund Balances						
Nonspendable - Prepays	804,205	8,738	9,540	-	-	822,483
Restricted:						
Drainage	-	-	-	-	292,110	292,110
Police (\$14,921,628 for 2017 operations)	-	-	30,050,476	-	248,065	30,298,541
Fire (\$12,733,300 for 2017 operations and \$3,209,699 for equipment replacement)	-	22,395,314	-	-	-	22,395,314
Debt service	-	-	-	-	64,725	64,725
Drug forfeiture	-	-	-	-	190,595	190,595
Street lighting	-	-	-	-	547,190	547,190
Transportation	-	-	-	-	100,000	100,000
Committed - Capital projects	-	-	-	-	1,000,000	1,000,000
Assigned:						
Subsequent year's budget	1,006,016	-	-	-	-	1,006,016
Workers' compensation claims	250,000	-	-	-	-	250,000
Capital projects	-	-	-	-	927,980	927,980
Unassigned	21,478,477	-	-	-	-	21,478,477
Total fund balances	23,538,698	22,404,052	30,060,016	-	3,370,665	79,373,431
Total liabilities, deferred inflows of resources, and fund balances	\$ 25,154,844	\$ 22,762,984	\$ 30,425,491	\$ 3,630,000	\$ 4,732,142	\$ 86,705,461

Charter Township of Clinton

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position March 31, 2016

Fund Balance Reported in Governmental Funds	\$ 79,373,431
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	38,062,049
Certain receivables were earned during the current fiscal year, but are not available to pay for current year expenditures	4,250,273
Investments in joint ventures are not financial resources and are not reported in the funds	930,893
Certain changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, while reported as revenues in the governmental funds	23,316,587
Net pension liability is not due and payable in the current period and is not reported in the governmental funds	(70,890,864)
Net other postemployment benefit asset is not reported in the governmental funds	4,107,241
Notes and bonds payable are not due and payable in the current period and are not reported in the funds	(20,331,569)
Accrued interest is not due and payable in the current period and is not reported in the funds	(42,058)
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	(3,300,764)
Accrued workers' compensation liability is not reported in the governmental funds	(369,885)
Certain changes in pension plan net position are reported as deferred inflows of resources in the statement of net position, while reported as expenditures in the governmental funds	(47,016)
Net Position of Governmental Activities	<u>\$ 55,058,318</u>

Charter Township of Clinton

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2016

	General Fund	Fire Fund	Police Fund	Court Building Debt Service	Nonmajor Funds	Total
Revenue						
Property taxes	\$ 2,391,590	\$ 16,004,061	\$ 19,232,249	\$ -	\$ 1,699,196	\$ 39,327,096
Licenses and permits	1,333,759	-	53,699	-	-	1,387,458
Federal sources	87,061	4,967	41,087	-	822,579	955,694
State-shared revenue and grants	7,977,642	-	84,647	-	-	8,062,289
Fines and forfeitures	-	-	-	-	248,576	248,576
Interest	53,948	48,206	63,058	-	5,839	171,051
Other revenue:						
Local donations	225,596	-	-	818,129	-	1,043,725
Other miscellaneous income	4,189,285	54,596	487,618	-	122,189	4,853,688
Total revenue	<u>16,258,881</u>	<u>16,111,830</u>	<u>19,962,358</u>	<u>818,129</u>	<u>2,898,379</u>	<u>56,049,577</u>
Expenditures						
Current:						
General government	5,152,058	-	-	-	208,646	5,360,704
Public safety	2,253,310	14,716,680	17,892,233	-	134,436	34,996,659
Public works	3,973,757	-	-	-	539,275	4,513,032
Community and economic development	716,271	-	-	-	822,579	1,538,850
Recreation and culture	2,468,331	-	-	-	-	2,468,331
Debt service:						
Principal	87,500	595,000	-	374,000	1,462,064	2,518,564
Interest on long-term debt	67,217	142,563	-	444,129	192,654	846,563
Total expenditures	<u>14,718,444</u>	<u>15,454,243</u>	<u>17,892,233</u>	<u>818,129</u>	<u>3,359,654</u>	<u>52,242,703</u>
Excess of Revenue Over (Under) Expenditures	1,540,437	657,587	2,070,125	-	(461,275)	3,806,874
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	507,691	12,397	3,650	-	21,555	545,293
Transfers in (Note 4)	-	-	325,000	-	1,384,173	1,709,173
Transfers out (Note 4)	(1,373,972)	-	-	-	(325,000)	(1,698,972)
Total other financing (uses) sources	<u>(866,281)</u>	<u>12,397</u>	<u>328,650</u>	<u>-</u>	<u>1,080,728</u>	<u>555,494</u>
Net Change in Fund Balances	674,156	669,984	2,398,775	-	619,453	4,362,368
Fund Balances - Beginning 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>
Fund Balances - End of year	<u><u>\$ 23,538,698</u></u>	<u><u>\$ 22,404,052</u></u>	<u><u>\$ 30,060,016</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,370,665</u></u>	<u><u>\$ 79,373,431</u></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, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 4,362,368
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	1,424,720
Depreciation expense	(2,176,583)
Net book value of assets disposed of	(5,055)
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	(53,275)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,467,550
Interest expense is recorded in the statement of activities when incurred; it is not reported in the governmental funds until paid	7,517
Pension liability is reported in the statement of activities at the time it is earned, but not in the governmental funds until paid	(6,414,601)
Decrease in accumulated workers' compensation accrual increases net position in the statement of activities	570,356
The net other postemployment benefit asset is increased by the difference between the actuarial required contributions for postemployment benefits compared to the actual contributions remitted	4,774,095
Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	47,806
Expense from joint ventures is not recorded in the funds	(809,989)
Change in Net Position of Governmental Activities	<u>\$ 4,194,909</u>

Charter Township of Clinton

Proprietary Funds Statement of Net Position March 31, 2016

	Major Funds			Nonmajor	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Proprietary Fund Special Assessment Fund	
Assets					
Current assets:					
Cash and investments (Note 2)	\$ 19,290,193	\$ 269,734	\$ 1,942,886	\$ 297,390	\$ 21,800,203
Receivables:					
Special assessments receivable -					
Current	-	-	-	140,253	140,253
Customers	5,536,854	-	721,363	-	6,258,217
Other	-	10,068	-	-	10,068
Due from other governmental units	495,108	-	-	-	495,108
Due from other funds (Note 4)	96,610	-	316,437	-	413,047
Inventory	432,442	-	-	-	432,442
Prepaid expenses and other assets	7,754	26,500	-	-	34,254
Total current assets	25,858,961	306,302	2,980,686	437,643	29,583,592
Noncurrent assets:					
Restricted assets (Note 6)	3,840,661	-	-	-	3,840,661
Investment in joint ventures (Note 9)	-	-	235,494	-	235,494
Capital assets - Net (Note 3)	155,901,719	9,577,591	140,636	-	165,619,946
Special assessment - Net of current portion	-	-	-	1,049,242	1,049,242
Total noncurrent assets	159,742,380	9,577,591	376,130	1,049,242	170,745,343
Total assets	185,601,341	9,883,893	3,356,816	1,486,885	200,328,935
Deferred Outflows of Resources -					
Deferred outflows of resources related to pension (Note 11)	2,016,363	-	-	-	2,016,363
Liabilities					
Current liabilities:					
Accounts payable	3,403,748	51,579	222,689	81,638	3,759,654
Due to other funds (Note 4)	316,437	-	-	28,955	345,392
Accrued liabilities and other	126,191	53,506	-	-	179,697
Net pension liability (Note 11)	9,737,270	-	-	-	9,737,270
Compensated absences - Less than one year (Note 5)	62,983	-	-	-	62,983
Current portion of long-term debt (Note 5)	3,386,908	1,018,324	-	-	4,405,232
Total current liabilities	17,033,537	1,123,409	222,689	110,593	18,490,228
Noncurrent liabilities:					
Compensated absences - Greater than one year (Note 5)	146,961	-	-	-	146,961
Refundable bonds and deposits (Note 5)	391,724	104,122	-	-	495,846
Long-term debt (Note 5)	53,178,620	1,412,804	-	-	54,591,424
Total noncurrent liabilities	53,717,305	1,516,926	-	-	55,234,231
Total liabilities	70,750,842	2,640,335	222,689	110,593	73,724,459
Net Position					
Net investment in capital assets	101,602,041	7,146,463	140,636	-	108,889,140
Restricted:					
Capital projects	-	-	-	1,376,292	1,376,292
Bond covenants (Note 6)	1,574,811	-	-	-	1,574,811
Unrestricted	13,690,010	97,095	2,993,491	-	16,780,596
Total net position	\$ 116,866,862	\$ 7,243,558	\$ 3,134,127	\$ 1,376,292	128,620,839
Net Position of Business-type Activities					\$ 128,620,839

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

Charter Township of Clinton

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended March 31, 2016

	Major Funds			Nonmajor Proprietary Fund	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	
Operating Revenue					
Charges for sales and services	\$ 37,138,101	\$ -	\$ 3,651,829	\$ 1,307,598	\$ 42,097,528
Rent	-	2,087,136	-	-	2,087,136
Other	360,398	22,121	1,101	-	383,620
Total operating revenue	37,498,499	2,109,257	3,652,930	1,307,598	44,568,284
Operating Expenses					
Cost of water and sewage disposal	19,682,050	-	-	-	19,682,050
Operation and maintenance	1,481,529	870,474	3,485,059	100,391	5,937,453
General and administrative	1,943,419	-	-	-	1,943,419
Salaries and fringe benefits	6,026,712	-	-	-	6,026,712
Depreciation	4,264,533	428,011	33,483	-	4,726,027
Total operating expenses	33,398,243	1,298,485	3,518,542	100,391	38,315,661
Operating Income	4,100,256	810,772	134,388	1,207,207	6,252,623
Nonoperating Revenue (Expenses)					
Investment income	55,079	490	5,790	14,440	75,799
Bond issuance costs	(148,172)	-	-	-	(148,172)
Interest expense	(1,679,936)	(162,187)	-	(4,000)	(1,846,123)
Other nonoperating income	-	-	1,161	-	1,161
Gain on sale of assets	11,788	-	-	-	11,788
Debt, capital charges, and tap fees	663,760	-	-	-	663,760
Federal interest subsidy	267,764	-	-	-	267,764
Total nonoperating (expenses) revenue	(829,717)	(161,697)	6,951	10,440	(974,023)
Income - Before contributions	3,270,539	649,075	141,339	1,217,647	5,278,600
Capital Contributions - Lines donated by developers	1,619,547	-	-	-	1,619,547
Transfers Out (Note 4)	-	-	-	(10,201)	(10,201)
Change in Net Position	4,890,086	649,075	141,339	1,207,446	6,887,946
Net Position - Beginning of year	111,976,776	6,594,483	2,992,788	168,846	121,732,893
Net Position - End of year	\$ 116,866,862	\$ 7,243,558	\$ 3,134,127	\$ 1,376,292	\$ 128,620,839

Charter Township of Clinton

Proprietary Funds Statement of Cash Flows Year Ended March 31, 2016

	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	\$ 34,993,036	\$ 2,100,044	\$ 3,732,475	\$ 353,722	\$ 41,179,277
Payments to suppliers	(23,799,312)	(906,956)	(3,129,347)	(19,760)	(27,855,375)
Payments to employees	(4,517,914)	-	(353,074)	-	(4,870,988)
Internal activity - Payments to other funds	-	-	-	(123,351)	(123,351)
Distribution from joint venture	-	-	222,673	-	222,673
Net cash provided by operating activities	6,675,810	1,193,088	472,727	210,611	8,552,236
Cash Flows from Capital and Related Financing Activities					
Proceeds from sales of capital assets	11,788	-	-	-	11,788
Purchase of capital assets	(12,245,625)	-	-	-	(12,245,625)
Proceeds from (principal, issuance costs, and interest paid on) capital debt	3,487,591	(1,211,723)	-	(104,000)	2,171,868
Collection of debt, capital charges, and tap fees	663,760	-	-	-	663,760
Net cash used in capital and related financing activities	(8,082,486)	(1,211,723)	-	(104,000)	(9,398,209)
Cash Flows from Investing Activities -					
Interest received on investments	55,079	490	5,790	14,440	75,799
Net (Decrease) Increase in Cash and Cash Equivalents	(1,351,597)	(18,145)	478,517	121,051	(770,174)
Cash and Cash Equivalents - Beginning of year	22,216,601	287,879	1,464,369	176,339	24,145,188
Cash and Cash Equivalents - End of year	\$ 20,865,004	\$ 269,734	\$ 1,942,886	\$ 297,390	\$ 23,375,014

Charter Township of Clinton

Proprietary Funds Statement of Cash Flows (Continued) Year Ended March 31, 2016

	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	\$ 19,290,193	\$ 269,734	\$ 1,942,886	\$ 297,390	\$ 21,800,203
Restricted cash	1,574,811	-	-	-	1,574,811
Total cash and cash equivalents	<u>\$ 20,865,004</u>	<u>\$ 269,734</u>	<u>\$ 1,942,886</u>	<u>\$ 297,390</u>	<u>\$ 23,375,014</u>
Reconciliation of Operating Income to Net Cash from Operating Activities					
Operating income	\$ 4,100,256	\$ 810,772	\$ 134,388	\$ 1,207,207	\$ 6,252,623
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation	4,264,533	428,011	33,483	-	4,726,027
Changes in assets and liabilities:					
Receivables	(859,678)	(9,213)	79,545	(953,876)	(1,743,222)
Due from others	(13,277)	-	-	-	(13,277)
Inventories	198,313	-	-	-	198,313
Investments in joint ventures	-	-	222,673	-	222,673
Prepaid and other assets	1,371	(6,420)	-	-	(5,049)
Accounts payable	(884,852)	(30,062)	2,638	80,631	(831,645)
Due to others	(1,632,508)	-	-	(123,351)	(1,755,859)
Accrued and other liabilities	1,501,652	-	-	-	1,501,652
Net cash provided by operating activities	<u>\$ 6,675,810</u>	<u>\$ 1,193,088</u>	<u>\$ 472,727</u>	<u>\$ 210,611</u>	<u>\$ 8,552,236</u>
Significant Noncash Investing and Financing Transactions					
Contribution of capital assets from developers and other funds	\$ 1,619,547	\$ -	\$ -	\$ -	\$ 1,619,547
Capital asset additions related to County interceptor projects	3,526,507	-	-	-	3,526,507

Charter Township of Clinton

Fiduciary Funds Statement of Net Position March 31, 2016

	Pension and Other Employee Benefit Trust Funds	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 6,690,415	\$ 3,974,932
Investments:		
Bank investment pools	2,904,685	-
Money market funds	3,232,165	-
U.S Treasury notes	2,678,085	-
Mutual funds	37,119,497	-
Common stock	37,012,031	-
U.S. government agency securities	3,123,638	-
Corporate bonds	11,969,937	-
Hedge funds	8,004,092	-
Real estate investment trusts	7,507,677	-
Limited partnerships	24,515,496	-
Receivables	10,596	235
Prepaid expenses and other assets	6,589	-
Cash and investments held as collateral for securities lending	12,045,647	-
	156,820,550	<u>\$ 3,975,167</u>
Liabilities		
Accounts payable	150,285	\$ 141,990
Due to other governmental units	-	3,007,532
Due to other funds	828,511	-
Refundable deposits, bonds, etc.	-	825,645
Obligations under securities lending agreements	12,045,647	-
	13,024,443	<u>\$ 3,975,167</u>
Net Position Held in Trust for Pension and Other Employee Benefits		<u>\$ 143,796,107</u>

Charter Township of Clinton

Fiduciary Funds Statement of Changes in Net Position Year Ended March 31, 2016

	Pension and Other Employee Benefit Trust Funds
Additions	
Investment income (loss):	
Interest and dividends	\$ 2,758,514
Net decrease in fair value of investments	(5,457,491)
Investment-related expenses	(637,981)
Securities lending income - Interest and fees	22,040
Contributions:	
Employer	12,649,755
Employee	1,242,430
Total contributions	<u>13,892,185</u>
Total additions	10,577,267
Deductions	
Benefit payments and annuity withdrawals	12,595,254
Administrative expenses	205,730
Total deductions	<u>12,800,984</u>
Net Decrease in Net Position Held in Trust	(2,223,717)
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>146,019,824</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 143,796,107</u></u>

Charter Township of Clinton

Component Units Statement of Net Position March 31, 2016

	Economic Development Corporation	Downtown Development Authority	Total
Assets			
Cash and investments (Note 2)	\$ 98,585	\$ 95,843	\$ 194,428
Capital assets being depreciated - Net (Note 3)	-	770,120	770,120
Total assets	98,585	865,963	964,548
Liabilities			
Accounts payable	-	461	461
Due to primary government	-	678	678
Total liabilities	-	1,139	1,139
Net Position			
Net investment in capital assets	-	770,120	770,120
Unrestricted	98,585	94,704	193,289
Total net position	<u>\$ 98,585</u>	<u>\$ 864,824</u>	<u>\$ 963,409</u>

Charter Township of Clinton

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Economic Development Corporation - Public works	\$ 2,736	\$ -	\$ -	\$ -
Downtown Development Authority - Public works	93,811	-	-	-
Total component units	\$ 96,547	\$ -	\$ -	\$ -

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, 2016**

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Economic Development Corporation</u>	<u>Downtown Development Authority</u>	<u>Total</u>
\$ (2,736)	\$ -	\$ (2,736)
<u>-</u>	<u>(93,811)</u>	<u>(93,811)</u>
(2,736)	(93,811)	(96,547)
-	25,184	25,184
<u>3,322</u>	<u>-</u>	<u>3,322</u>
<u>3,322</u>	<u>25,184</u>	<u>28,506</u>
586	(68,627)	(68,041)
<u>97,999</u>	<u>933,451</u>	<u>1,031,450</u>
<u>\$ 98,585</u>	<u>\$ 864,824</u>	<u>\$ 963,409</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

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.

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

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

Discretely Presented Component Units

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

Downtown Development Authority - The Downtown Development Authority (DDA) was established on August 8, 2002 under the provision of Act 197 of the Public Acts of Michigan of 1975, as amended. The DDA was created to halt property value deterioration and increase property tax valuation where possible, to eliminate the causes of that deterioration, and to promote economic growth in the business district of the Township. The DDA collects captured property taxes in accordance with state law and submits a budget of expenditures within the DDA district. The DDA's governing body is appointed by the township board of trustees. 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. Where appropriate, 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, 2016

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, 2016

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 2015 taxable valuation (real and personal property) of the Township totaled \$2,646,929,223, 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 .4600 mills for the retirement of police building debt. The ad valorem taxes generated \$2,182,393 for general operations, \$5,898,152 for fire operations, \$6,617,323 for police operations, and \$1,217,587 for police building debt retirement. The 2015 real property taxable valuation of the Township totaled \$2,472,462,823, on which special assessments levied consisted of 5 mills for police operations and 4 mills for fire operations. The special assessment levies generated \$12,362,314 for police operations and \$9,889,851 for fire operations. The industrial facilities tax roll generated \$12,908 for general operations, \$52,924 for police operations, \$45,914 for fire operations, and \$7,202 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, 2016

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 records deferred outflows of resources related to activity associated with the recording of the Township's net pension liability.

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 three transactions that are reported as deferred inflows: long-term debt due from other governments, deferred inflows associated with recording the Township's net pension liability, 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, 2016

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, \$334,223 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 the 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.

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

Pensions - The Township offers a defined benefit pension plan to certain employees under two separate plans. The Township records a net pension liability for the difference between the total pension liability calculated by the plans' actuaries and the pension plans' fiduciary net position. For the purposes of measuring the net pension liability, the deferred outflows of resources and the deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position have been determined on the same basis as they are reported by the pension plans. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs - The Township offers retiree healthcare benefits to certain 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, 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

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

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

- 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.

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, 2015		\$ (4,900,000)
Fiscal year 2016 building department activity:		
Permit revenue	\$ 1,334,000	
Expenditures	<u>(1,551,000)</u>	
Excess of expenditures over revenue		<u>(217,000)</u>
Cumulative expenditures over revenue - March 31, 2016		<u>\$ (5,117,000)</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 Fire and Police Pension System has a separate investment policy for the pension fund.

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, 2016, only United States currency was received as collateral.

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 2 - Deposits and Investments (Continued)

The Fire and Police 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 Fire and Police 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, 2016 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, 2016, the Fire and Police Pension System had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the Fire and Police Pension System as of March 31, 2016 were \$12,045,647.

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 \$103 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.

Custodial Credit Risk - Pension and Retiree Health Care Funds - The Township's Pension System 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.

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 2 - Deposits and Investments (Continued)

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

Investment Type	Fair Value of Township Investments and Pension Trust Funds	Maturity			Greater Than 10 Years
		Less Than 1 Year	1 to 5 Years	6 to 10 Years	
Bank investment pool	\$ 2,904,685	\$ 2,904,685	\$ -	\$ -	\$ -
U.S. government or agency securities	3,123,638	352	20,345	3,206	3,099,735
U.S. Treasury obligation	2,678,085	-	351,264	1,055,521	1,271,300
Corporate bonds	11,969,937	561,225	3,645,134	3,231,446	4,532,132

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	\$ 2,904,685	NR	Not rated
U.S. government agency	3,123,638	NR	Not rated
U.S. Treasury	2,678,085	NR	Not rated
Corporate bonds	11,969,937	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, 2016

Note 2 - Deposits and Investments (Continued)

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

<u>Security</u>	<u>Fair Value</u>	<u>Foreign Currency</u>
Foreign fixed income mutual fund	\$ 373,404	Australian dollar
Foreign fixed income mutual fund	189,650	Brazilian real
Foreign fixed income mutual fund	281,527	British pound
Foreign fixed income mutual fund	329,185	Chilean peso
Foreign fixed income mutual fund	388,635	Euro
Foreign fixed income mutual fund	188,176	Malaysian ringgit
Foreign fixed income mutual fund	669,671	Mexican peso
Foreign fixed income mutual fund	174,419	New Zealand dollar
Foreign fixed income mutual fund	270,718	Polish zloty
Foreign fixed income mutual fund	156,240	South African rand
Foreign fixed income mutual fund	254,504	Japanese yen
Foreign fixed income mutual fund	413,692	Swedish krona
Foreign fixed income mutual fund	271,209	Norwegian krone

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 3 - Capital Assets

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

	Balance April 1, 2015	Additions	Disposals	Balance March 31, 2016
Governmental Activities				
Capital assets not being depreciated - Land	\$ 3,691,633	\$ -	\$ -	\$ 3,691,633
Capital assets being depreciated:				
Buildings and building improvements	43,880,931	19,948	-	43,900,879
Operating equipment	6,369,159	221,008	(441,275)	6,148,892
Vehicles	6,401,241	617,759	(874,818)	6,144,182
Office furniture and equipment	5,527,863	216,246	(301,950)	5,442,159
Land improvements	2,988,703	349,759	-	3,338,462
Infrastructure assets	2,722,851	-	-	2,722,851
Subtotal	67,890,748	1,424,720	(1,618,043)	67,697,425
Accumulated depreciation:				
Buildings and building improvements	15,323,253	1,148,883	-	16,472,136
Operating equipment	4,790,837	330,690	(436,220)	4,685,307
Vehicles	5,521,984	337,141	(874,818)	4,984,307
Office furniture and equipment	4,731,613	208,183	(301,950)	4,637,846
Land improvements	1,988,253	97,229	-	2,085,482
Infrastructure assets	407,474	54,457	-	461,931
Subtotal	32,763,414	2,176,583	(1,612,988)	33,327,009
Net capital assets being depreciated	35,127,334	(751,863)	(5,055)	34,370,416
Net capital assets	\$ 38,818,967	\$ (751,863)	\$ (5,055)	\$ 38,062,049

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 3 - Capital Assets (Continued)

	Balance April 1, 2015	Reclassifications	Additions	Disposals and Adjustments	Balance March 31, 2016
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
Construction in progress	27,097,460	(14,235,909)	11,752,536	(2,311)	24,611,776
Subtotal	28,097,460	(14,235,909)	11,752,536	(2,311)	25,611,776
Capital assets being depreciated:					
Structures, mains, and laterals	195,899,194	13,420,480	1,228,185	-	210,547,859
Meters	4,716,213	-	198,313	-	4,914,526
Buildings and improvements	15,926,975	-	-	-	15,926,975
Equipment	2,966,711	815,429	148,539	(5,853)	3,924,826
Vehicles	2,531,995	-	186,001	(144,915)	2,573,081
Furniture and fixtures	711,638	-	-	(10,572)	701,066
Land improvements	349,173	-	-	-	349,173
Subtotal	223,101,899	14,235,909	1,761,038	(161,340)	238,937,506
Accumulated depreciation:					
Structures, mains, and laterals	78,254,915	-	3,736,618	-	81,991,533
Meters	3,901,188	-	103,631	-	4,004,819
Buildings and improvements	7,030,270	-	404,733	-	7,435,003
Equipment	2,195,115	-	214,395	(5,853)	2,403,657
Vehicles	2,130,101	-	214,544	(144,915)	2,199,730
Furniture and fixtures	612,783	-	28,828	(10,572)	631,039
Land improvements	240,277	-	23,278	-	263,555
Subtotal	94,364,649	-	4,726,027	(161,340)	98,929,336
Net capital assets being depreciated	128,737,250	14,235,909	(2,964,989)	-	140,008,170
Net capital assets	\$ 156,834,710	\$ -	\$ 8,787,547	\$ (2,311)	\$ 165,619,946
Component Units					
Capital assets being depreciated - Land improvements	\$ 883,772	\$ -	\$ -	\$ -	\$ 883,772
Accumulated depreciation - Land improvements	88,876	24,776	-	-	113,652
Net capital assets being depreciated	\$ 794,896	\$ (24,776)	\$ -	\$ -	\$ 770,120

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 3 - Capital Assets (Continued)

Construction in progress includes:

- \$17,494,191 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.
- \$296,033 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	\$ 301,627
Public safety	1,132,635
Public works	143,158
Recreation and senior activities	288,442
Infrastructure assets constructed by special assessment fund	<u>310,721</u>
Total governmental activities	<u>\$ 2,176,583</u>

Business-type activities:

Water and sewer	\$ 4,264,533
Sanitation	33,483
Senior housing	<u>428,011</u>
Total business-type activities	<u>\$ 4,726,027</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

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	Other nonmajor funds	\$ 1,214,070
Sanitation Fund	Water and Sewer Fund	316,437
Water and Sewer Fund	General Fund	96,610
Other nonmajor funds	Other nonmajor funds	<u>11,201</u>
	Total	<u>\$ 1,638,318</u>

Receivable Fund	Payable Fund	Amount
Due to/from Primary Government and Component Units		
General Fund	Downtown Development Authority	<u>\$ 678</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
Other nonmajor funds	General Fund (2)	1,373,972
	Other nonmajor funds (2)	<u>10,201</u>
	Total other nonmajor funds	<u>1,384,173</u>
	Total	<u>\$ 1,709,173</u>

(1) Allowable transfer of forfeiture funds

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

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, 2016. 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, 2016

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		\$274,176 -				
Maturing through 2017	5.50%	\$315,945	\$ 866,438	\$ (276,318)	\$ 590,120	\$ 274,176
Police Building Bonds - Series 1998:						
Amount of issue - \$8,000,000	4.00%	\$650,000 -				
Maturing through 2018	4.75%	\$725,000	1,975,000	(600,000)	1,375,000	650,000
Police Building Bonds - Series 1999:						
Amount of issue - \$5,900,000		\$550,000 -				
Maturing through 2018	4.00%	\$600,000	1,650,000	(500,000)	1,150,000	550,000
Fire Building Refunding Bonds - Series 2011:						
Amount of issue - \$6,355,000	2.50%	\$615,000 -				
Maturing through 2022	3.50%	\$710,000	4,555,000	(595,000)	3,960,000	615,000
41-B District Court Bonds - Series 2006:						
Amount of issue - \$13,500,000	4.00%	-				
Maturing through 2031	4.50%	-	11,400,000	(11,400,000)	-	-
41-B District Court Refunding Bonds - Series 2015:						
Amount of issue - \$11,447,000		\$453,000 -				
Maturing through 2031	3.15%	\$926,000	-	11,073,000	11,073,000	453,000
Capital Improvement Bonds - Series 2010:						
Amount of issue \$2,187,500	2.00%	\$87,500 -				
Maturing through 2032	4.00%	\$157,500	1,951,250	(87,500)	1,863,750	87,500
MDOT Infrastructure Loan:						
Loan amount - \$477,720		\$48,956 -				
Maturing through 2019	1.00%	\$49,936	196,808	(48,471)	148,337	48,956
MDOT Infrastructure Loan:						
Loan amount - \$334,405		\$33,589 -				
Maturing through 2021	1.00%	\$34,962	204,623	(33,261)	171,362	33,589
Total bond/loan obligations			22,799,119	(2,467,550)	20,331,569	2,712,221
Other long-term obligations -						
Compensated absences			3,348,572	(47,806)	3,300,766	990,230
Total governmental activities			\$ 26,147,691	\$ (2,515,356)	\$ 23,632,335	\$ 3,702,451

* 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, 2016

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		\$1,005,824 -				
Maturing through 2017	5.50%	\$1,159,055	\$ 3,178,561	\$ (1,013,682)	\$ 2,164,879	\$ 1,005,824
Capital Improvement Bonds - Series 2010:						
Amount of issue - \$312,500	2.00% -	\$12,500 -				
Maturing through 2032	4.00%	\$22,500	278,750	(12,500)	266,250	12,500
2006 Special Assessment Bonds - Limited Tax Bonds (Project Nos. S-1052, W-1053, an P-1056):						
Amount of issue - \$955,000						
Maturing through 2015	6.00%	-	100,000	(100,000)	-	-
Revenue bonds:						
Revenue Bonds - Series 2001:						
Amount of issue - \$8,000,000						
Maturing through 2022	4.00%	-	4,275,000	(4,275,000)	-	-
Revenue Refunding Bonds - Series 2004:						
Amount of issue - \$2,570,000	3.30% -	\$355,000 -				
Maturing through 2016	3.40%	\$350,000	685,000	(350,000)	335,000	335,000
Revenue Bonds - CWRP Project 5191-01:						
Amount of issue - \$1,405,000		\$75,000 -				
Maturing through 2024	2.130%	\$85,000	705,000	(70,000)	635,000	75,000
Revenue Bonds - SQWIF Project 3001-01:						
Amount of issue - \$270,000						
Maturing through 2024	1.625%	\$10,000	98,471	(10,000)	88,471	10,000
Revenue Bonds - Series 2006:						
Amount of issue - \$5,000,000	3.875% -	\$300,000 -				
Maturing through 2026	4.30%	\$400,000	4,000,000	(3,700,000)	300,000	300,000
Revenue Bonds - SRF Project 5525-01:						
Amount of issue - \$5,630,000		\$220,000 -				
Maturing through 2034	2.50%	\$335,000	4,816,949	208,701	5,025,650	225,000
Revenue Bonds - SRF Project 5525-02:						
Amount of issue - \$5,035,000		\$195,000 -				
Maturing through 2035	2.50%	\$315,000	-	4,117,899	4,117,899	195,000
Revenue Refunding Bonds - Series 2015:						
Amount of issue - \$7,528,000		\$530,000 -				
Maturing through 2026	2.07%	\$1,036,000	-	7,528,000	7,528,000	530,000

* 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, 2016

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	3.40% -	\$5,639 -				
Maturing through 2035	6.35%	\$9,906	\$ 147,681	\$ (5,537)	\$ 142,144	\$ 5,639
North Gratiot Interceptor Drainage District - Series 2008:						
Amount of issue - \$1,853,714	3.75% -					
Maturing through 2033	5.00%	-	1,522,634	(1,522,634)	-	-
North Gratiot Interceptor Drainage District - Series 2015:						
Amount of issue - \$1,409,785	3.75% -	\$58,084 -				
Maturing through 2033	5.00%	\$93,355	-	1,409,785	1,409,785	58,084
2010A OMID Drainage District (SRF):						
Amount of issue - \$2,932,468		\$129,889 -				
Maturing through 2031	2.50%	\$183,869	2,457,220	(126,515)	2,330,705	129,889
2010B OMID Drainage District:						
Amount of issue - \$753,472	3.45% -	\$30,364 -				
Maturing through 2030	5.90%	\$58,481	625,832	(29,239)	596,593	30,364
2011 OMID Drainage District:						
Amount of issue - \$3,524,966		\$144,975 -				
Maturing through 2033	2.50%	\$220,224	2,934,002	311,372	3,245,374	144,975
2010A MID Drainage District:						
Amount of issue - \$18,226,352	1.25% -	\$610,913 -				
Maturing through 2035	5.38%	\$1,073,147	15,912,318	(598,523)	15,313,795	610,913
2011 MID Drainage District (Clintondale):						
Amount of issue - \$6,725,673		\$240,202 -				
Maturing through 2031	5.00%	\$545,915	6,015,984	(218,366)	5,797,618	240,202
2013A OMID Drainage District:						
Amount of issue - \$7,691,967		\$322,959 -				
Maturing through 2034	2.00%	\$461,117	5,506,569	1,542,701	7,049,270	322,959
2014A OMID Drainage District:						
Amount of issue - \$1,124,653	2.00% -	\$44,302 -				
Maturing through 2034	3.125%	\$73,837	1,124,653	(43,525)	1,081,128	44,302
2015 OMID Drainage District:						
Amount of issue - \$2,249,648		\$87,442 -				
Maturing through 2036	2.50%	\$141,762	-	1,333,692	1,333,692	87,442
2015A MID Drainage District:						
Amount of issue - \$805,071		\$31,765 -				
Maturing through 2035	2.50%	\$50,385	-	51,885	51,885	31,765
Total bond obligations			54,384,624	4,428,514	58,813,138	4,394,858
Other long-term obligations:						
Compensated absences			221,717	(11,773)	209,944	62,983
Bond issuance premium			338,318	(21,145)	317,173	21,145
Bond issuance discount			(215,432)	10,772	(204,660)	(10,771)
Deposits			492,501	3,345	495,846	-
Restricted assets held at county			529,466	(458,461)	71,005	-
Total business-type activities			55,751,194	3,951,252	59,702,446	4,468,215
Total primary government			\$ 81,898,885	\$ 1,435,896	\$ 83,334,781	\$ 8,170,666

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

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
2017	\$ 2,712,221	\$ 670,779	\$ 3,383,000	\$ 4,394,858	\$ 2,065,617	\$ 6,460,475
2018	2,991,819	574,929	3,566,748	4,315,143	1,918,513	6,233,656
2019	1,372,083	465,023	1,837,106	3,230,156	1,767,038	4,997,194
2020	1,442,860	424,839	1,867,699	3,345,891	1,673,505	5,019,396
2021	1,452,211	381,343	1,833,554	3,424,668	1,574,809	4,999,477
2022-2026	4,931,625	1,323,308	6,254,933	16,723,463	6,288,100	23,011,563
2027-2031	5,271,250	539,943	5,811,193	15,849,617	3,557,677	19,407,294
2032-2036	157,500	3,150	160,650	7,529,342	920,943	8,450,285
Total	<u>\$ 20,331,569</u>	<u>\$ 4,383,314</u>	<u>\$ 24,714,883</u>	<u>\$ 58,813,138</u>	<u>\$ 19,766,202</u>	<u>\$ 78,579,340</u>

During the 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 2011). As of year end, the Township's portion of the draws remaining outstanding from the SRF was \$3,245,373, which includes draws of \$452,895 during the current year.

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 remaining outstanding from the SRF was \$7,049,270, which includes draws of \$1,859,165 during the current year.

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 remaining outstanding from the SRF was \$5,025,650, which includes draws of \$428,701 during the current year.

During the year ended March 31, 2016, the Oakland-Macomb Interceptor Drainage District (OMID) was approved for approximately \$8.5 million of loans from the Michigan State Revolving Fund (SRF) (OMID Series 2015). As of year end, the Township's portion of the draws from the SRF was \$1,333,692, which is comprised entirely of current year draws.

During the year ended March 31, 2016, the Macomb Interceptor Drainage District (MID) was approved for approximately \$3.7 million of loans from the Michigan State Revolving Fund (SRF) (MID Series 2015A). As of year end, the Township's portion of the draws from the SRF was \$51,885, which is comprised entirely of current year draws.

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 5 - Long-term Debt (Continued)

During the year ended March 31, 2016, the Township was approved for approximately \$5.0 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 \$4,117,899, 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.

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 \$22,910,097. 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 \$7,535,072, compared to annual debt requirements of \$2,101,968.

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, 2016, \$2,925,000 of Building Authority Bonds and \$4,675,000 of Fire Revenue Bonds outstanding are considered defeased.

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, 2016 is funded by certificates of deposits and money market funds in the amount of \$1,574,811.

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 6 - Restricted Net Position (Continued)

Unspent bond proceeds are as follows:

Due from Oakland County*	\$ 1,270,364
Due from Macomb County**	995,486

* 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	
	2016	2015	2016	2015
Estimated liability (asset) - Beginning of year	\$ 940,240	\$ 643,473	\$ (246,044)	\$ (713,125)
Estimated claims incurred, including changes in estimates	(459,859)	664,958	6,667,292	6,813,419
Claim payments	(110,497)	(368,191)	(6,163,869)	(6,346,338)
Estimated liability (asset) - End of year	<u>\$ 369,884</u>	<u>\$ 940,240</u>	<u>\$ 257,379</u>	<u>\$ (246,044)</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 8 - Commitments and Contingencies

Environmental Contingency - The Township is required to undertake measures to upgrade sanitary sewers in order to be in compliance with the Clean Water Act and is under an Administrative Consent Order (ACO) with the State of Michigan Department of Environmental Quality (MDEQ) to make these improvements. The Township has made numerous corrections and is entering into the final phases of this ACO. At this time, the Township is in discussions/negotiations with Macomb County to create a wet weather operational plan and is metering the existing improvements for MDEQ's approval. The Township has spent approximately \$23.5 million in construction projects, but until we have final approval from both Macomb County and MDEQ, we cannot estimate the remaining cost.

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, 2016, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Retainages Payable</u>	<u>Remaining Commitment</u>
District E Phase One			
Beaconsfield/Little Mack	\$ 4,657,346	\$ 69,619	\$ 40,951
15 Mile Road Water Main Repair	-	-	396,920
Sanitary Sewer Cleaning Zone 8	99,688	11,076	320,596
District D Manhole Repair	190,364	21,152	147,814
Metro Park Water Main Repair	325,617	17,138	10,280
District E Phase Two			
Tullio/Little Mack South	-	-	2,427,645
Charter Oaks Water Main Repair	234,212	26,024	431,407
Sanitary Sewer Repairs Zone 6	353,377	26,142	259,060
Charter Oaks Paving	31,279	3,475	1,246,126

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 9 - 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, 2016

Note 10 - 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.

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 a 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 \$847,367, resulting in an employer contribution of \$109,415 and employee contributions of \$102,427.

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 11 - Defined Benefit Pension Plan - Municipal Employees Retirement System of Michigan (MERS of Michigan)

Plan Description - The Township participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees Retirement System of Michigan (MERS of Michigan) that covers all employees of the Township except fire and police. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided - The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers all employees except fire and police.

Depending on the employee group, retirement benefits for employees are calculated as being either 2.0 or 2.5 percent of the employee's final 3 year average salary times the employee's years of service. Those employee groups calculated at 2.5 percent are subject to a maximum multiplier of 80 percent of their final 3 year average salary.

Normal retirement age is 60 with early retirement with full benefits at 55 with 25 years of service. Employees may elect early retirement with reduced benefits at 50 with 25 years of service or 55 with 15 years of service. Vesting period is either 8 or 10 years depending on the employee group.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Township's board, generally after negotiations of these terms with the affected unions.

Employees Covered by Benefit Terms - At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	191
Inactive plan members entitled to but not yet receiving benefits	15
Active plan members	151
	<hr/>
Total employees covered by MERS	357
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Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 11 - Defined Benefit Pension Plan - Municipal Employees Retirement System of Michigan (MERS of Michigan) (Continued)

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended March 31, 2016, the average active employee contribution rate was 6.1 percent of annual pay and the Township's average contribution rate was 21.5 of annual payroll.

Net Pension Liability

The net pension liability reported at March 31, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at March 31, 2015	\$ 65,958,073	\$ 43,269,972	\$ 22,688,101
Service cost	1,064,743	-	1,064,743
Interest	5,296,358	-	5,296,358
Differences between expected and actual experience	640,069	-	640,069
Changes in assumptions	2,964,550	-	2,964,550
Contributions - Employer	-	1,872,652	(1,872,652)
Contributions - Employee	-	528,758	(528,758)
Net investment income	-	(630,111)	630,111
Benefit payments, including refunds	(4,584,320)	(4,584,320)	-
Administrative expenses	-	(93,273)	93,273
Net changes	5,381,400	(2,906,294)	8,287,694
Balance at March 31, 2016	\$ 71,339,473	\$ 40,363,678	\$ 30,975,795

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 11 - Defined Benefit Pension Plan - Municipal Employees Retirement System of Michigan (MERS of Michigan) (Continued)

Assumption Changes - The actuarial assumptions and methods are adopted by the MERS Retirement Board and are reviewed every five years in an experience study. The experience study is a comprehensive, detailed analysis that reviews MERS's funding policy and compares actual experience with the current actuarial assumptions; the study recommends adjustments as necessary. The most recent study was completed in 2015, and the December 31, 2015 valuation report reflects several changes in actuarial assumptions.

The main assumption and method changes were as follows:

- The mortality table was adjusted to reflect longer lifetimes.
- The assumed annual rate of investment return, net of all expenses, was lowered from 8 percent to 7.75 percent.
- The actuarial value of asset smoothing, used to determine both the Township's funded ratio and required employer contribution, was changed from 10 to 5 years.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended March 31, 2016, the Township recognized pension expense of \$4,256,353. At March 31, 2016, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 480,052	\$ -
Changes in assumptions	2,223,413	-
Net difference between projected and actual earnings on pension plan investments	3,200,529	-
Employer contributions to the plan subsequent to the measurement date	510,375	-
Total	<u>\$ 6,414,369</u>	<u>\$ -</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 11 - Defined Benefit Pension Plan - Municipal Employees Retirement System of Michigan (MERS of Michigan) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (exclusive of employer contributions to the plan made subsequent to the measurement date of \$510,375, which will impact the net pension liability in fiscal year 2017, rather than pension expense) are as follows:

<u>Years Ending March 31</u>	<u>Amount</u>
2017	\$ 1,701,287
2018	1,701,287
2019	1,701,287
2020	800,132

Actuarial Assumptions - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %
Salary increases	3.75 %
Investment rate of return	7.75 % Net of pension plan investment expense, including inflation

The mortality table used to project the mortality experience of non-disabled plan members is a 50 percent male - 50 percent female blend of the following tables:

- The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent
- The RP-2014 Employee Mortality Tables
- The RP-2014 Juvenile Mortality Tables

The mortality table used to project the mortality experience of disabled plan members is a 50 percent male - 50 percent female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period from 2009 through 2013.

Discount Rate - The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 11 - Defined Benefit Pension Plan - Municipal Employees Retirement System of Michigan (MERS of Michigan) (Continued)

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	58 %	5.02 %
Global fixed income	20 %	2.18 %
Real assets	12 %	4.23 %
Diversifying strategies	10 %	6.56 %

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 8.0 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1 Percent Decrease (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability of the Township	\$ 38,230,599	\$ 30,975,795	\$ 24,767,099

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 11 - Defined Benefit Pension Plan - Municipal Employees Retirement System of Michigan (MERS of Michigan) (Continued)

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position has been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 12 - Pension Plan - Fire and Police Pension System

Plan Administration - The Charter Township of Clinton Fire and Police Pension Board administers the Charter Township of Clinton Fire and Police Pension System - a single-employer defined benefit pension plan that provides pensions for all police and fire employees of the Charter Township of Clinton, Michigan. Benefit terms have been established by contractual agreements between the Township and the various employee union representation; amendments are subject to the same process.

The plan issues a publicly available financial report that can be obtained at 40700 Romeo Plank Rd., Clinton Township, MI 48038. The financial statements of the plan are also included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Management of the plan is vested in the pension board, which consists of five members - one police member elected by members of the police department, one fire member elected by members of the fire department, two citizens of Clinton Township appointed by the board, and the township treasurer who serves as an ex-officio member.

Plan Membership - At the March 31, 2016, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	168
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	<u>164</u>
Total employees covered by the plan	<u>337</u>

Note 12 - Pension Plan - Fire and Police Pension System (Continued)

Benefits Provided - The pension plan provides retirement, disability, and death benefits as follows:

Police Officers: Eligible after 25 years of service regardless of age. Pension amount is 2.8 percent of the member's average final compensation (AFC) times the first 25 years of credited service (maximum is 70 percent of AFC). Those officers hired after April 1, 2011 are eligible for 2.0 percent of the member's AFC times the years of credited service (maximum is 70 percent of AFC).

Police Sergeants and Lieutenants: Eligible after 25 years of service regardless of age. For members promoted prior to January 1, 2008, pension amount is 2.8 percent of the member's average final compensation (AFC) times the first 25 years of credited service, plus 1 percent of the member's AFC multiplied by the number of years, and fractions of a year, of service in excess of 25 years of service, without a maximum benefit of AFC. For members promoted after January 1, 2008, pension amount is 2.8 percent of the member's AFC times the years of credited service (maximum of 70 percent of AFC).

Police Captain: Eligible after 25 years of service regardless of age. Pension amount is 2.8 percent of the member's average final compensation (AFC) times the years of credited service (maximum is 70 percent of AFC).

Fire Fighters: Eligible after 25 years of service regardless of age. For members hired before April 1, 2011, pension amount is 2.8 percent of the member's average final compensation (AFC) times the first 25 years of credited service (maximum is 70 percent of AFC). For members hired on or after April 1, 2011, pension amount is 2.0 percent of the member's AFC times the years of credited service (maximum is 70 percent of AFC).

Fire Chiefs: Eligible after 25 years of service regardless of age. Pension amount is 2.8 percent of the member's average final compensation (AFC) times the first 25 years of credited service (maximum is 70 percent of AFC).

Average final compensation (AFC) is the average of the highest annual compensations received during any three years of service within the 10 years of service immediately preceding retirement, including regular salary, overtime, longevity pay, pay in lieu of holiday and/or vacation time, education allowance, show-up time, and shift differential.

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 12 - Pension Plan - Fire and Police Pension System (Continued)

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the Township Charter, union contracts, and plan provisions. For the year ended March 31, 2016, the average active member contribution rate was 6.9 percent of annual pay and the Township's average contribution rate was 25.4 of annual payroll.

Deferred Retirement Option Program

The Township offers certain employees the ability to continue services and be paid a salary after they are fully vested; this program credits the employee for benefit payments that would have been paid and pays them out with interest at 7.5 percent after the employee has fully retired (discontinued providing employee services to the Township). At March 31, 2016, the plan has \$2,900,537 accumulated in DROP accounts. These amounts are not currently due and payable.

Pension Plan Investments - Policy and Rate of Return

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the pension board's adopted asset allocation policy as of March 31, 2016:

Asset Class	Target Allocation
Domestic equity	20 %
International equity	7 %
Balanced	26 %
Real estate	5 %
Fixed income	5 %
Hedge funds and alternative investments	35 %
Cash or cash equivalents	2 %

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 12 - Pension Plan - Fire and Police Pension System (Continued)

Rate of Return - For the year ended March 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (2.01) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Reserves

In accordance with plan documents, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee and credits interest annually at a rate of 2.0 percent. For any employee who terminates before vesting in the pension plan, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

The employer reserve account is used to account for the residual net position balance in the pension plan after funding the above two reserves.

The balances of the reserve accounts at March 31, 2016 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 82,747,130	\$ 82,747,130
Employee reserve	11,374,934	11,374,934
Employer reserve	N/A	19,021,775

Net Pension Liability

The components of the net pension liability of the Township at March 31, 2016 were as follows:

Total pension liability	\$ (162,796,178)
Plan fiduciary net position	<u>113,143,839</u>
Township's net pension liability	<u>\$ (49,652,339)</u>
Plan fiduciary net position as a percentage of the total pension liability	69.5 %

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 12 - Pension Plan - Fire and Police Pension System (Continued)

The Township has chosen to use March 31, 2016 as its measurement date for the net pension liability. The March 31, 2016 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of March 31, 2016. The March 31, 2016 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at March 31, 2015	\$ 144,923,260	\$ 119,657,021	\$ 25,266,239
Service cost	3,708,595	-	3,708,595
Interest	9,790,487	-	9,790,487
Differences between expected and actual experience	(55,887)	-	(55,887)
Changes in assumptions	12,963,381	-	12,963,381
Contributions - Employer	-	3,595,004	(3,595,004)
Contributions - Employee	-	980,971	(980,971)
Net investment income	-	(2,350,176)	2,350,176
Benefit payments, including refunds	(8,533,658)	(8,533,658)	-
Administrative expenses	-	(205,323)	205,323
Net changes	17,872,918	(6,513,182)	24,386,100
Balance at March 31, 2016	\$ 162,796,178	\$ 113,143,839	\$ 49,652,339

Assumption Changes - During the year, the discount rate was reduced from 6.87 percent to 6.52 percent. The 6.52 percent discount rate is the single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the actuarial present values.

Additionally, mortality rates were based on the RP 2000 Combined Healthy Mortality Table projected to 2014, rather than the 1971 Group Annuity Mortality Table projected to 2000, set back zero years for males and six years for females that were used in the actuarial valuation as of March 31, 2015.

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 12 - Pension Plan - Fire and Police Pension System (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended March 31, 2016, the Township recognized pension expense of \$9,109,539. At March 31, 2016, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 47,016
Changes in assumptions	10,905,701	-
Net difference between projected and actual earnings on pension plan investments	<u>8,012,879</u>	<u>-</u>
Total	<u>\$ 18,918,580</u>	<u>\$ 47,016</u>

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

Years Ending March 31	Amount
2017	\$ 4,052,028
2018	4,052,028
2019	4,052,028
2020	4,052,028
2021	2,048,809
Thereafter	614,643

Actuarial Assumptions - The total pension liability in the March 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.0 %
Salary increases	4.2 - 8.5 % Average, including inflation
Investment rate of return	7.5 % Net of pension plan investment expense, including inflation

Mortality rates were based on the RP 2000 Combined Healthy Mortality Table projected to 2014.

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 12 - Pension Plan - Fire and Police Pension System (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 6.52 percent, which is a reduction of the discount rate used at the March 31, 2015 measurement date of 6.87 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate which was 3.15 percent. The source of that bond rate was the S&P Municipal Bond 20 Year High Grade Index. The long-term expected rate of return was applied to projected benefit payments from March 31, 2017 through March 31, 2060 and the municipal bond rate was applied to the remaining periods.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of March 31, 2016 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	5.50 %
International equity	4.70 %
Balanced	0.40 %
Real estate	3.80 %
Fixed income	1.50 %
Hedge funds and alternative investments	3.00 %
Cash or cash equivalents	1.00 %

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 12 - Pension Plan - Fire and Police Pension System (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 6.52 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.52 percent) or 1 percentage point higher (7.52 percent) than the current rate:

	1 Percent Decrease (5.52%)	Current Discount Rate (6.52%)	1 Percent Increase (7.52%)
Net pension liability of the Township	\$ 69,444,390	\$ 49,652,339	\$ 33,161,767

Note 13 - Postemployment Benefits

The Township provides retiree healthcare benefits to full-time employees upon retirement in accordance with labor contracts. Membership in the plan included 301 retiree members and 269 active members as of September 1, 2014, 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.

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, 2016, the Township has estimated the cost of providing retiree healthcare benefits through information provided by an actuarial valuation dated as of September 1, 2014. 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.

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 13 - Postemployment Benefits (Continued)

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

	2016	2015
Annual required contribution	\$ 4,264,099	\$ 4,920,922
Amounts contributed:		
Interest and other adjustments	16,557	(86,185)
Payments of current premiums and advance funding	(9,054,751)	(4,628,390)
Change in net OPEB liability	(4,774,095)	206,347
OPEB liability - Beginning of year	666,854	460,507
OPEB (asset) liability - End of year	<u>\$ (4,107,241)</u>	<u>\$ 666,854</u>

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

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage Contributed	Net OPEB (Asset) Liability
March 31, 2016	September 1, 2014	\$ 4,264,099	212 %	\$ (4,107,241)
March 31, 2015	September 1, 2012	4,920,922	94	666,854
March 31, 2014	September 1, 2012	4,920,922	81	460,507

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, 2014	\$ 27,646,415	\$ 85,075,927	\$ 57,429,512	32.5 %	\$ 17,888,238	321.0 %
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

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 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.

Note 13 - Postemployment Benefits (Continued)

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 the 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, 2014 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments, calculated based on the funded level of the plan at the valuation date and an annual healthcare cost trend rate of 8.0 percent in the first year graded down to 5.0 percent in seven years. The actuarial value of assets was determined based on market value reported as of August 31, 2014. The UAAL is being amortized as a level percentage of projected covered payroll on an open basis. The remaining amortization period at September 1, 2014 was 30 years. The actuarial assumptions used in the September 1, 2014 valuation did not differ from those used in the September 1, 2012 valuation.

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, 2016, the Township made contributions of \$142,417 and the plan members contributed \$70,372 to the plan.

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 14 - Deferred Outflows and Deferred Inflows of Resources, and Unearned Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenue that are 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. Refer to Notes 11 and 12 for a discussion of deferred inflows and outflows of resources related to pensions.

At the end of the current fiscal year, the remaining 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	\$ 620,273	\$ -	\$ 620,273	\$ -
Long-term due from other governments	3,630,000	-	3,630,000	-
Other grant revenue	-	23,316	23,316	23,316
Total	<u>\$ 4,250,273</u>	<u>\$ 23,316</u>	<u>\$ 4,273,589</u>	<u>\$ 23,316</u>

Note 15 - Fund Balance Constraints

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

	General Capital Projects Fund
Fund Balances	
Restricted - Transportation	\$ 100,000
Committed - Civic Center Parking Lot	1,000,000
Assigned:	
Next year's budget	580,947
Cass Avenue loan principal and interest	148,337
Romeo Plank loan principal and interest	171,363
Technology	27,333
Total	<u>\$ 2,027,980</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2016

Note 16 - Change in Accounting

During the current year, the Township adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result, the government-wide statements and the proprietary funds now include a liability for our unfunded legacy costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to the pension footnote for further details. These changes do not impact the General Fund or any other governmental fund.

The beginning net position of the governmental activities, business-type activities, and Water and Sewer Fund have been restated as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Water and Sewer Fund</u>
Net position - March 31, 2015 - As previously reported	\$ 92,070,101	\$ 127,958,675	\$ 118,202,558
Adjustment for implementation of GASB Statement No. 68 - MERS	(15,940,453)	(6,225,782)	(6,225,783)
Adjustment for implementation of GASB Statement No. 68 - Fire and Police Pension Plan	(25,266,239)	-	-
Net position - March 31, 2015 - As restated	<u>\$ 50,863,409</u>	<u>\$ 121,732,893</u>	<u>\$ 111,976,775</u>

Note 17 - Upcoming Accounting Pronouncements

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 2016-2017 fiscal year.

Note 17 - Upcoming Accounting Pronouncements (Continued)

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. 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 statement more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the Township will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The Township is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016, whereas GASB Statement No. 75 is effective one year later.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement will require governments to disclose in their financial statements information related to tax abatement agreements. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

Required Supplemental Information

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,337,500	\$ 2,386,984	\$ 2,391,590	\$ 4,606
Licenses and permits	1,228,500	1,284,300	1,333,759	49,459
Federal grants	17,000	86,074	87,061	987
State-shared revenue and grants	8,149,832	7,972,832	7,977,642	4,810
Interest	65,000	65,000	53,948	(11,052)
Other revenue	3,779,900	4,218,279	4,414,881	196,602
Total revenue	<u>15,577,732</u>	<u>16,013,469</u>	<u>16,258,881</u>	<u>245,412</u>
Expenditures				
Current:				
General government	5,293,506	5,209,000	5,008,886	200,114
Public safety	1,471,967	2,013,815	1,979,693	34,122
Public works	4,127,042	4,133,424	3,973,757	159,667
Community and economic development	654,902	724,578	716,271	8,307
Recreation and culture	2,488,621	2,493,331	2,468,331	25,000
Debt service	154,718	154,717	154,717	-
Total expenditures	<u>14,190,756</u>	<u>14,728,865</u>	<u>14,301,655</u>	<u>427,210</u>
Excess of Revenue Over Expenditures	1,386,976	1,284,604	1,957,226	672,622
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	500,000	522,008	507,691	(14,317)
Transfers out	(1,373,973)	(1,373,972)	(1,373,972)	-
Total other financing uses	<u>(873,973)</u>	<u>(851,964)</u>	<u>(866,281)</u>	<u>(14,317)</u>
Net Change in Fund Balance	513,003	432,640	1,090,945	658,305
Fund Balance - Beginning of year	<u>22,447,753</u>	<u>22,447,753</u>	<u>22,447,753</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 22,960,756</u>	<u>\$ 22,880,393</u>	<u>\$ 23,538,698</u>	<u>\$ 658,305</u>

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Fund Year Ended March 31, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 15,617,200	\$ 15,985,401	\$ 16,004,061	\$ 18,660
Federal grants	-	17,063	4,967	(12,096)
Interest	30,000	45,000	48,206	3,206
Other revenue	11,000	14,000	54,596	40,596
Total revenue	<u>15,658,200</u>	<u>16,061,464</u>	<u>16,111,830</u>	<u>50,366</u>
Expenditures				
Current - Public safety	16,148,393	17,225,554	14,716,680	2,508,874
Debt service:				
Principal	595,000	595,000	595,000	-
Interest on long-term debt	142,563	142,563	142,563	-
Total expenditures	<u>16,885,956</u>	<u>17,963,117</u>	<u>15,454,243</u>	<u>2,508,874</u>
Excess of Revenue (Under) Over Expenditures	(1,227,756)	(1,901,653)	657,587	2,559,240
Other Financing Sources - Proceeds from sale of capital assets	-	1,100	12,397	11,297
Net Change in Fund Balance	(1,227,756)	(1,900,553)	669,984	2,570,537
Fund Balance - Beginning of year	<u>21,734,068</u>	<u>21,734,068</u>	<u>21,734,068</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 20,506,312</u>	<u>\$ 19,833,515</u>	<u>\$ 22,404,052</u>	<u>\$ 2,570,537</u>

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Fund Year Ended March 31, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 18,752,900	\$ 19,194,490	\$ 19,232,249	\$ 37,759
Licenses and permits	50,000	53,550	53,699	149
Federal grants	21,613	41,989	41,087	(902)
State-shared revenue and grants	80,600	84,000	84,647	647
Interest	30,000	30,000	63,058	33,058
Other revenue	299,894	434,453	487,618	53,165
Total revenue	19,235,007	19,838,482	19,962,358	123,876
Expenditures - Current - Public safety	17,976,214	18,566,895	17,892,233	674,662
Excess of Revenue Over Expenditures	1,258,793	1,271,587	2,070,125	798,538
Other Financing Sources				
Proceeds from sale of capital assets	5,000	4,000	3,650	(350)
Transfers in	325,000	325,000	325,000	-
Total other financing sources	330,000	329,000	328,650	(350)
Net Change in Fund Balance	1,588,793	1,600,587	2,398,775	798,188
Fund Balance - Beginning of year	27,661,241	27,661,241	27,661,241	-
Fund Balance - End of year	\$ 29,250,034	\$ 29,261,828	\$ 30,060,016	\$ 798,188

Charter Township of Clinton

Note to Required Supplemental Information Year Ended March 31, 2016

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>
Amounts per governmental funds statement of revenue, expenditures, and changes in fund balances	\$ 16,258,881	\$ 14,718,444	\$ 1,540,437
General government	-	(143,172)	143,172
Public safety	-	(273,617)	273,617
Amounts per General Fund budget statement	<u>\$ 16,258,881</u>	<u>\$ 14,301,655</u>	<u>\$ 1,957,226</u>

Charter Township of Clinton

Required Supplemental Information OPEB System Schedules of Funding Progress and Employer Contributions Year Ended March 31, 2016

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
3/31/16	\$ 4,624,099	212.0
3/31/15	4,920,922	94.1
3/31/14	4,920,922	81.3

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

Charter Township of Clinton

Required Supplemental Information Schedule of Changes in the Township Net Pension Liability and Related Ratios - MERS March 31, 2016

Total Pension Liability	
Service cost	\$ 1,064,743
Interest	5,296,358
Differences between expected and actual experience	640,069
Changes in assumptions	2,964,550
Benefit payments, including refunds	<u>(4,584,320)</u>
Net Change in Total Pension Liability	5,381,400
Total Pension Liability - Beginning of year	<u>65,958,073</u>
Total Pension Liability - End of year	<u>\$ 71,339,473</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,872,652
Contributions - Member	528,758
Net investment income	(630,111)
Administrative expenses	(93,273)
Benefit payments, including refunds	<u>(4,584,320)</u>
Net Change in Plan Fiduciary Net Position	(2,906,294)
Plan Fiduciary Net Position - Beginning of year	<u>43,269,972</u>
Plan Fiduciary Net Position - End of year	<u>\$ 40,363,678</u>
Township's Net Pension Liability - Ending	<u>\$ 30,975,795</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	56.58 %
Covered Employee Payroll	\$ 8,691,747
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	356.4 %

Charter Township of Clinton

Required Supplemental Information Schedule of Township Contributions - MERS March 31, 2016

Actuarially determined contribution	\$ 1,872,653
Contributions in relation to the actuarially determined contribution	<u>1,872,653</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered Employee Payroll	\$ 8,691,747
Contributions as a Percentage of Covered Employee Payroll	21.5 %

Notes to Schedule of Township Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years
Asset valuation method	5-year smoothed
Inflation	2.5 percent
Salary increases	3.75 percent
Investment rate of return	7.75 percent
Retirement age	60 years
Mortality	The mortality table used to project the mortality experience of non-disabled plan members is a 50% male - 50% female blend of the following tables: <ol style="list-style-type: none"> 1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105% 2. The RP-2014 Employee Mortality Tables 3. The RP-2014 Juvenile Mortality Tables
Other information	None

Charter Township of Clinton

Required Supplemental Information Schedule of Changes in the Township Net Pension Liability and Related Ratios - Fire and Police Pension System Years Ended March 31

	2016	2015
Total Pension Liability		
Service cost	\$ 3,708,595	\$ 3,829,279
Interest	9,790,487	9,639,099
Changes in benefit terms	-	-
Differences between expected and actual experience	(55,887)	(2,412,055)
Changes in assumptions	12,963,381	-
Benefit payments, including refunds	(8,533,658)	(9,051,073)
Net Change in Total Pension Liability	17,872,918	2,005,250
Total Pension Liability - Beginning of year	144,923,260	142,918,010
Total Pension Liability - End of year	\$ 162,796,178	\$ 144,923,260
Plan Fiduciary Net Position		
Contributions - Employer	\$ 3,595,004	\$ 3,427,893
Contributions - Member	980,971	5,264,133
Net investment income	(2,350,176)	995,827
Administrative expenses	(205,323)	(88,708)
Benefit payments, including refunds	(8,533,658)	(9,051,073)
Adjustment for DROP plan change of accounting	-	2,611,725
Net Change in Plan Fiduciary Net Position	(6,513,182)	3,159,797
Plan Fiduciary Net Position - Beginning of year	119,657,021	116,497,224
Plan Fiduciary Net Position - End of year	\$ 113,143,839	\$ 119,657,021
Township's Net Pension Liability - Ending	\$ 49,652,339	\$ 25,266,239
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	69.50 %	82.57 %
Covered Employee Payroll	\$ 14,176,791	\$ 13,004,900
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	350.2 %	194.3 %

Charter Township of Clinton

Required Supplemental Information Schedule of Township Contributions - Fire and Police Pension System Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 3,595,004	\$ 3,427,893	\$ 3,768,283	\$ 3,397,420	\$ 3,833,280	\$ 3,443,068	\$ 3,044,464	\$ 2,833,972	\$ 3,105,900	\$ 2,904,000
Contributions in relation to the actuarially determined contribution	<u>3,595,004</u>	<u>3,427,893</u>	<u>3,768,283</u>	<u>3,397,420</u>	<u>3,833,280</u>	<u>3,443,068</u>	<u>3,044,464</u>	<u>2,833,972</u>	<u>3,105,900</u>	<u>2,904,000</u>
Contribution Deficiency	<u>\$ -</u>									
Covered Employee Payroll	\$14,176,791	\$13,004,900	\$13,198,600	\$13,278,700	\$14,850,984	\$14,199,300	\$16,028,600	\$16,611,300	\$15,810,152	\$14,570,507
Contributions as a Percentage of Covered Employee Payroll	25.4 %	26.4 %	28.6 %	25.6 %	25.8 %	24.2 %	19.0 %	17.1 %	19.6 %	19.9 %

Notes to Schedule of Township Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of March 31 two years prior to the end of the fiscal year in which the contributions are reported. Covered employee payroll is as of March 31 of the current fiscal year.
Methods and assumptions used to determine contribution rates	
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	20 years
Asset valuation method	4-year smoothed market
Inflation	4.00 percent
Salary increases	4.2 percent to 8.5 percent, including inflation
Investment rate of return	7.50 percent
Retirement age	After 25 years of service regardless of age
Mortality	RP 2000 projected to 2014 effective March 31, 2016
Other information	None

Charter Township of Clinton

Required Supplemental Information Schedule of Investment Returns - Fire and Police Pension System Years Ended March 31

	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return - Net of investment expense	(2.0)%	4.7 %

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	\$ 293,778	\$ 1,214	\$ 192,368	\$ 581,829	\$ 249,065	\$ 1,318,254
Receivables:						
Taxes	-	-	-	-	-	-
Customers	-	-	-	33,498	-	33,498
Due from other governmental units	700	90,899	-	-	-	91,599
Due from other funds	-	-	1,000	-	-	1,000
Total assets	\$ 294,478	\$ 92,113	\$ 193,368	\$ 615,327	\$ 249,065	\$ 1,444,351
Liabilities						
Accounts payable	\$ 868	\$ 65,056	\$ 2,003	\$ 68,137	\$ -	\$ 136,064
Due to other funds	-	27,057	770	-	1,000	28,827
Accrued liabilities and other	1,500	-	-	-	-	1,500
Total liabilities	2,368	92,113	2,773	68,137	1,000	166,391
Fund Balances						
Restricted:						
Drainage	292,110	-	-	-	-	292,110
Police	-	-	-	-	248,065	248,065
Debt service	-	-	-	-	-	-
Drug forfeiture	-	-	190,595	-	-	190,595
Street lighting	-	-	-	547,190	-	547,190
Transportation	-	-	-	-	-	-
Committed - Capital projects	-	-	-	-	-	-
Assigned - Capital projects	-	-	-	-	-	-
Total fund balances	292,110	-	190,595	547,190	248,065	1,277,960
Total liabilities and fund balances	\$ 294,478	\$ 92,113	\$ 193,368	\$ 615,327	\$ 249,065	\$ 1,444,351

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2016**

Nonmajor Debt Service Funds			Nonmajor Capital Project Fund	Total Nonmajor Governmental Funds
Building Authority	Police Facility	Total Debt Service Funds	General Capital Projects Fund	
\$ 3,739	\$ 1,170,450	\$ 1,174,189	\$ 2,044,545	\$ 4,536,988
-	58,856	58,856	-	58,856
-	-	-	-	33,498
-	-	-	-	91,599
-	-	-	10,201	11,201
\$ 3,739	\$ 1,229,306	\$ 1,233,045	\$ 2,054,746	\$ 4,732,142
\$ -	\$ -	\$ -	\$ 26,766	\$ 162,830
258	1,167,231	1,167,489	-	1,196,316
-	831	831	-	2,331
258	1,168,062	1,168,320	26,766	1,361,477
-	-	-	-	292,110
-	-	-	-	248,065
3,481	61,244	64,725	-	64,725
-	-	-	-	190,595
-	-	-	-	547,190
-	-	-	100,000	100,000
-	-	-	1,000,000	1,000,000
-	-	-	927,980	927,980
3,481	61,244	64,725	2,027,980	3,370,665
\$ 3,739	\$ 1,229,306	\$ 1,233,045	\$ 2,054,746	\$ 4,732,142

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	\$ -	\$ -	\$ -	\$ 467,105	\$ -	\$ 467,105
Federal sources	-	822,579	-	-	-	822,579
Fines and forfeitures	-	-	152,354	-	96,222	248,576
Interest	794	-	-	1,019	-	1,813
Other revenue	111,129	-	-	-	-	111,129
Total revenue	111,923	822,579	152,354	468,124	96,222	1,651,202
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	132,436	-	-	132,436
Public works	61,833	-	-	432,238	-	494,071
Community and economic development	-	822,579	-	-	-	822,579
Debt service:						
Principal	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-
Total expenditures	61,833	822,579	132,436	432,238	-	1,449,086
Excess of Revenue Over (Under) Expenditures	50,090	-	19,918	35,886	96,222	202,116
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	-	-	21,555	-	-	21,555
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(125,000)	-	(200,000)	(325,000)
Total other financing (uses) sources	-	-	(103,445)	-	(200,000)	(303,445)
Net Change in Fund Balances	50,090	-	(83,527)	35,886	(103,778)	(101,329)
Fund Balances - Beginning of year	242,020	-	274,122	511,304	351,843	1,379,289
Fund Balances - End of year	\$ 292,110	\$ -	\$ 190,595	\$ 547,190	\$ 248,065	\$ 1,277,960

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended March 31, 2016

Nonmajor Debt Service Funds			Nonmajor Capital Project Fund	
Building Authority	Police Facility	Total Debt Service Funds	General Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 1,232,091	\$ 1,232,091	\$ -	\$ 1,699,196
-	-	-	-	822,579
-	-	-	-	248,576
3	-	3	4,023	5,839
-	-	-	11,060	122,189
<u>3</u>	<u>1,232,091</u>	<u>1,232,094</u>	<u>15,083</u>	<u>2,898,379</u>
4,766	-	4,766	203,880	208,646
-	2,000	2,000	-	134,436
-	-	-	45,204	539,275
-	-	-	-	822,579
276,318	1,100,000	1,376,318	85,746	1,462,064
47,654	145,000	192,654	-	192,654
<u>328,738</u>	<u>1,247,000</u>	<u>1,575,738</u>	<u>334,830</u>	<u>3,359,654</u>
(328,735)	(14,909)	(343,644)	(319,747)	(461,275)
-	-	-	-	21,555
323,972	-	323,972	1,060,201	1,384,173
-	-	-	-	(325,000)
<u>323,972</u>	<u>-</u>	<u>323,972</u>	<u>1,060,201</u>	<u>1,080,728</u>
(4,763)	(14,909)	(19,672)	740,454	619,453
8,244	76,153	84,397	1,287,526	2,751,212
<u>\$ 3,481</u>	<u>\$ 61,244</u>	<u>\$ 64,725</u>	<u>\$ 2,027,980</u>	<u>\$ 3,370,665</u>

Charter Township of Clinton

Other Supplemental Information Combining Statement of Net Position Fiduciary Funds March 31, 2016

	Pension and Other Employee Benefit Trust Funds			Agency Funds			
	Fire and Police Pension System	Public Employee Healthcare	Total	Tax Collection	Cash Bond	Trust and Agency	Total Agency Funds
Assets							
Cash	\$ -	\$ 6,690,415	\$ 6,690,415	\$ 3,148,392	\$ 174,460	\$ 652,080	\$ 3,974,932
Investments:							
Bank investment pools	2,904,685	-	2,904,685	-	-	-	-
Money market funds	3,232,165	-	3,232,165	-	-	-	-
U.S. Treasury notes	2,678,085	-	2,678,085	-	-	-	-
Mutual funds	12,346,319	24,773,178	37,119,497	-	-	-	-
Common stock	37,012,031	-	37,012,031	-	-	-	-
U.S. government agency securities	3,123,638	-	3,123,638	-	-	-	-
Corporate bonds	11,969,937	-	11,969,937	-	-	-	-
Hedge funds	8,004,092	-	8,004,092	-	-	-	-
Real estate investment trusts	7,507,677	-	7,507,677	-	-	-	-
Limited partnerships	24,515,496	-	24,515,496	-	-	-	-
Cash and investments held as collateral for securities lending	12,045,647	-	12,045,647	-	-	-	-
Receivables	-	10,596	10,596	-	35	200	235
Prepaid expenses and other assets	-	6,589	6,589	-	-	-	-
Total assets	125,339,772	31,480,778	156,820,550	\$ 3,148,392	\$ 174,495	\$ 652,280	\$ 3,975,167
Liabilities							
Benefits payable and other liabilities	150,285	-	150,285	\$ 140,860	\$ 275	\$ 855	\$ 141,990
Due to other governmental units	-	-	-	3,007,532	-	-	3,007,532
Due to other funds	-	828,511	828,511	-	-	-	-
Refundable deposits, bonds, etc.	-	-	-	-	174,220	651,425	825,645
Accrued liabilities and other - Amounts due to broker under securities lending arrangements	12,045,647	-	12,045,647	-	-	-	-
Total liabilities	12,195,932	828,511	13,024,443	\$ 3,148,392	\$ 174,495	\$ 652,280	\$ 3,975,167
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 113,143,840	\$ 30,652,267	\$ 143,796,107				

Charter Township of Clinton

Other Supplemental Information Combining Statement of Changes in Net Position Fiduciary Funds Year Ended March 31, 2016

	Fire and Police Pension System	Public Employee Healthcare	Total
Additions			
Investment income (loss):			
Interest and dividends	\$ 2,289,198	\$ 469,316	\$ 2,758,514
Net decrease in fair value of investments	(4,030,716)	(1,426,775)	(5,457,491)
Investment-related expenses	(637,981)	-	(637,981)
Net investment loss	(2,379,499)	(957,459)	(3,336,958)
Securities lending income:			
Interest and dividends	32,697	-	32,697
Less borrower rebates and fees	(10,657)	-	(10,657)
Net securities lending income	22,040	-	22,040
Contributions:			
Employer	3,595,004	9,054,751	12,649,755
Employee	980,971	261,459	1,242,430
Total contributions	4,575,975	9,316,210	13,892,185
Total additions	2,218,516	8,358,751	10,577,267
Deductions			
Benefit payments and annuity withdrawals	8,533,658	4,061,596	12,595,254
Administrative expenses	198,041	7,689	205,730
Total deductions	8,731,699	4,069,285	12,800,984
Net (Decrease) Increase in Net Position Held in Trust	(6,513,183)	4,289,466	(2,223,717)
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	119,657,023	26,362,801	146,019,824
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 113,143,840	\$ 30,652,267	\$ 143,796,107