
Charter Township of Clinton

Macomb County, Michigan

Financial Report
with Supplemental Information
March 31, 2020

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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, 2020 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 opinions.

Opinions

In our opinion, the basic 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, 2020 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.

To the Board of Trustees
Charter Township of Clinton

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic 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 2, 2020 on our consideration of 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 Charter Township of Clinton's internal control over financial reporting and compliance.



September 2, 2020

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, 2020. 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, notes to financial statements and required supplementary information. 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 presented on pages 12-14. 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 15-25. This series consists of the more traditional fund-based financial statements. It is grouped by governmental funds, proprietary funds, fiduciary funds, and component units. 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, 2020 and 2019:

Summary Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current Assets	\$ 83,514.5	\$ 82,159.1	\$ 38,698.0	\$ 41,465.2	\$ 122,212.5	\$ 123,624.3
Noncurrent Assets						
Restricted assets	-	-	1,535.7	2,504.8	1,535.7	2,504.8
Special assessments	-	-	1,407.4	1,804.2	1,407.4	1,804.2
Capital assets	<u>42,154.7</u>	<u>42,009.1</u>	<u>185,734.0</u>	<u>179,938.9</u>	<u>227,888.7</u>	<u>221,948.0</u>
Total assets	125,669.2	124,168.2	227,375.1	225,713.1	353,044.3	349,881.3
Deferred Outflows of Resources						
Deferred charge on bond refunding	-	-	153.6	163.8	153.6	163.8
Deferred pension costs	44,542.1	42,868.6	904.2	1,452.6	45,446.3	44,321.2
Deferred OPEB costs	<u>9,768.1</u>	<u>3,548.5</u>	<u>762.8</u>	<u>290.4</u>	<u>10,530.9</u>	<u>3,838.9</u>
Total deferred outflows of resources	54,310.2	46,417.1	1,820.6	1,906.8	56,130.8	48,323.9
Liabilities						
Current liabilities	7,425.0	6,875.9	8,560.4	8,695.3	15,985.4	15,571.2
Net pension liability	99,907.4	115,119.5	8,817.7	10,299.1	108,725.1	125,418.6
Net OPEB liability	56,925.0	55,216.3	4,445.2	4,518.9	61,370.2	59,735.2
Long-term liabilities	<u>12,369.2</u>	<u>13,912.6</u>	<u>58,111.0</u>	<u>62,741.9</u>	<u>70,480.2</u>	<u>76,654.5</u>
Total liabilities	176,626.6	191,124.3	79,934.3	86,255.2	256,560.9	277,379.5
Deferred Inflows of Resources						
Deferred benefit on bond refunding	-	-	232.6	-	232.6	-
Pension cost reductions	29,531.7	3,364.4	72.7	60.1	29,604.4	3,424.5
OPEB cost reductions	<u>7,979.3</u>	<u>5,890.6</u>	<u>623.1</u>	<u>482.1</u>	<u>8,602.4</u>	<u>6,372.7</u>
Total deferred inflows of resources	37,511.0	9,255.0	928.4	542.2	38,439.4	9,797.2
Net Position						
Net investment in capital assets	30,342.1	28,753.6	126,201.0	116,820.9	156,543.1	145,574.5
Restricted	4,225.4	4,939.1	3,158.0	3,486.1	7,383.4	8,425.2
Unrestricted	<u>(68,725.7)</u>	<u>(63,486.7)</u>	<u>18,974.0</u>	<u>20,515.5</u>	<u>(49,751.7)</u>	<u>(42,971.2)</u>
Total net position	<u>\$ (34,158.2)</u>	<u>\$ (29,794.0)</u>	<u>\$ 148,333.0</u>	<u>\$ 140,822.5</u>	<u>\$ 114,174.8</u>	<u>\$ 111,028.5</u>

Total net position related to the Township's governmental activities decreased by approximately \$4.4 million. The decrease is a result of an increase in the pension liability (deferred pension costs, net pension liability and pension cost reductions) of \$9.3 million. The increase in pension liability is offset by a decrease in the OPEB liability (deferred OPEB costs, net OPEB liability and OPEB cost reductions) of \$2.4 million and a decrease of \$1.4 million for the payment of bond principal. Revenues exceed expenses in the governmental activities which increased net position \$1.5 million. The remainder of the difference in net position is attributed to a slight increase in capital assets offset by an increase in accounts payable to vendors and accrued liabilities resulting in a decrease of \$400 thousand.

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, 2020 and 2019:

Summary Condensed Income Statement

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue						
Program revenue:						
Charges for services	\$ 3,610.6	\$ 3,848.3	\$ 51,349.1	\$ 52,597.5	\$ 54,959.7	\$ 56,445.8
Operating grants and contributions	2,143.8	1,758.6	19.6	16.1	2,163.4	1,774.7
Capital grants and contributions	51.5	24.7	583.6	178.5	635.1	203.2
General revenue:						
Property taxes	42,436.0	40,968.0	-	-	42,436.0	40,968.0
State-shared revenue	9,548.4	9,079.9	-	-	9,548.4	9,079.9
Investment income	531.0	566.1	656.1	639.4	1,187.1	1,205.5
Miscellaneous	3,373.7	3,505.9	172.1	376.0	3,545.8	3,881.9
Total revenue	61,695.0	59,751.5	52,780.5	53,807.5	114,475.5	113,559.0
Program Expenses						
General government	6,175.3	6,240.7	-	-	6,175.3	6,240.7
Public safety	49,212.3	52,590.0	-	-	49,212.3	52,590.0
Public works	5,877.0	5,249.7	-	-	5,877.0	5,249.7
Recreation and culture	2,948.3	2,821.4	-	-	2,948.3	2,821.4
Community and economic development	1,458.0	1,183.1	-	-	1,458.0	1,183.1
Interest on long-term debt	425.8	465.9	-	-	425.8	465.9
Water and sewer	-	-	38,718.1	38,860.9	38,718.1	38,860.9
Senior housing	-	-	1,422.0	1,487.0	1,422.0	1,487.0
Sanitation	-	-	4,380.3	4,655.0	4,380.3	4,655.0
Special assessments	-	-	712.1	1,220.1	712.1	1,220.1
Total program expenses	66,096.7	68,550.8	45,232.5	46,223.0	111,329.2	114,773.8
Change in Net Position - Before transfers	(4,401.7)	(8,799.3)	7,548.0	7,584.5	3,146.3	(1,214.8)
Transfers	37.5	-	(37.5)	-	-	-
Change in Net Position	(4,364.2)	(8,799.3)	7,510.5	7,584.5	3,146.3	(1,214.8)
Net Position - Beginning of year, as restated	(29,794.0)	(20,994.7)	140,822.5	133,238.0	111,028.5	112,243.3
Net Position - End of year	<u>\$ (34,158.2)</u>	<u>\$ (29,794.0)</u>	<u>\$ 148,333.0</u>	<u>\$ 140,822.5</u>	<u>\$ 114,174.8</u>	<u>\$ 111,028.5</u>

Property taxes are the primary source of revenue for the governmental activities, providing approximately 68.8 percent of the total. State-shared revenue provides another 15.5 percent, user charges provide 5.9 percent, and grants and contributions provide 3.5 percent, leaving only 6.3 percent being provided by all other sources.

Charter Township of Clinton

Management's Discussion and Analysis (continued)

Property taxes, the largest source of general government revenue, experienced a slight net increase due to an increase in taxable property values while being reduced by Headlee Millage reduction factor and tax reductions due to Michigan tax tribunal appeals for prior year. This is the sixth consecutive year of taxable property value increases in the Township. The prior five years experienced reductions in taxable property values totaling 25 percent. It is expected that taxable values in the Township in the upcoming year will continue to slowly increase. Even as property values grow, Proposal A will limit increases to the rate of inflation.

The Township's second largest revenue source is state-shared revenue, which is distributed to communities from sales tax receipts collected by the State of Michigan. State-shared revenue reflects an increase of approximately \$468 thousand 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, 2020 was approximately \$1.0 million (10 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 it fulfills 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 was continued for the fiscal year ended March 31, 2020. 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 \$499.0 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
DEA Task Force 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.

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.

Charter Township of Clinton

Management's Discussion and Analysis (continued)

Financial and Budgetary Highlights

General Fund - Overall, General Fund revenue was approximately \$133.5 thousand higher than the prior year. Property tax revenue, which includes payment in lieu of taxes and prior year adjustments, has decreased by approximately 1.3 percent, or \$33 thousand, in the General Fund. The 1.3 percent decrease in tax revenue is related to the 3.4 percent increase in taxable value reduced by Headlee Millage reduction factor and tax reductions due to Michigan tax tribunal appeals for prior year as well as a reduction in the payment in lieu of taxes retained by the General Fund. The revenue from state revenue sharing, the General Fund's largest revenue source, increased by 5.89 percent, or \$530.7 thousand, mainly due to an increase of constitutional state revenue-sharing payments from the State of Michigan. Proceeds from the sale of fixed assets increased by \$148.5 thousand from the sale of forfeited properties that the Township purchased from Macomb County. Fees and permit revenue decreased by 12.1 percent, or \$199.1 thousand from the prior year mainly due to a decrease in building, electrical, heating and plumbing permits, which indicates a decrease in construction of new homes and residents investing in home improvements. Administrative fees received from other departments are \$159.7 thousand higher than the prior year. Revenue collected by the public works, recreation and seniors departments remained relatively the same as the prior year.

Total General Fund expenditures were relatively consistent compared to the prior year showing a slight overall decrease of 0.6 percent, or \$110 thousand. Wages and employee benefit costs increased across all departments in accordance with contractual and inflationary increases. As with the prior year, the Township contributed double the required contribution to the MERS pension system and to the Retiree Health Care Trust to accelerate the funding of the pension and retiree health care liabilities. In addition, the Township has continued to budget for and expend funds for much-needed capital outlay and transferred \$1.34 million to the Capital Improvement Fund for cost sharing for road paving projects.

Police Fund - Overall, Police Fund revenue increased by approximately 4.1 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. These two levies, along with the ongoing 5 special assessment mills, generated \$21.6 million this year in the Police Fund, an increase of 4.0 percent above the prior year. This increase is attributable to an increase in taxable property value offset by an adjustment 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. All other revenue in the Police Fund remained relatively the same as the prior year.

Overall, Police Fund expenditures have increased by 1.6 percent from the prior year. This increase is attributable to salary and fringe benefit increases and increased capital outlay purchases.

Charter Township of Clinton

Management's Discussion and Analysis (continued)

Fire Fund - Overall, Fire Fund revenue increased by approximately 3.8 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. These two levies, along with the ongoing 4 special assessment mills, generated \$17.9 million this year in the Fire Fund, an increase of 4.0 percent above the prior year. This increase is attributable to an increase in taxable property value offset by an adjustment to prior year tax revenue from Michigan tax tribunal appeals. The property tax revenue provided 98.0 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, 2020. Therefore, overall expenditures will include activity from both the Fire Fund and the Fire Vehicle and Equipment Replacement Fund.

Overall, Fire Fund expenditures have decreased by approximately 7.3 percent from the prior year. This decrease is mainly attributable to the reduction in capital outlay purchases during the year.

Court Building Debt Service Fund - Beginning on 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, 2019, the Township's share is 71 percent.

On August 1, 2006, \$13,500,000 of Township General Obligation Limited Tax Capital Improvement Bonds were issued for the construction of a new court building which is located in the Charter Township of Clinton. These bonds were refunded in 2015 and the 2015 Limited Tax General Obligation Capital Improvement Refunding Bonds were issued. 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 \$8,882,000, 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 accounts for the purchase and sale of water and sewer treatment services to the residents of the Township. In order to provide these services, the Township completes projects to maintain the water and sewer infrastructure within the township as well as participating in the funding of repair and improvement projects undertaken by the Oakland Macomb Interceptor Drainage District (OMID) and the Macomb Interceptor Drainage District (MID). Even with this significant cash obligation, 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.

During the March 31, 2020 year, the Township completed a rate study which resulted in a change in the water and sewer rate structure. The new rate structure includes, for both water and sewer, a monthly readiness to serve fee and monthly variable charges based on actual usage. For the fiscal year ended March 31, 2020, water and sewer operating revenue decreased by 1.8 percent mainly due to a decrease in sewage treatment revenue.

Total operating expenses decreased by approximately 0.4 percent from the prior year. The decrease is mainly due to a decrease in the net pension liability calculated in accordance with GASB 68 while the remaining salaries and fringe benefits costs remained relatively constant compared to the prior year. The decrease is offset by increases in operating and administrative costs and depreciation of assets. The Township purchases 99 percent of its water from the Great Lakes Water Authority (GLWA). Sewage treatment services are also provided by the GLWA through an operating agreement with the County of Macomb, Michigan. The cost of water and sewage treatment increased by 1.1% compared to last year.

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 \$590 and \$670 for incoming residents, respectively, during the fiscal year ended March 31, 2020.

Charter Township of Clinton

Management's Discussion and Analysis (continued)

Capital Asset and Debt Administration

The Township's investment in capital assets devoted to its governmental activities had a historical cost of \$81.9 million 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 \$42.1 million.

The Township's investment in capital assets devoted to its business-type activities had a historical cost of \$305.8 million 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 \$11.9 million, resulting primarily from water main and sanitary sewer replacements and improvements. See Note 5 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 and State Revolving Fund loans for acquiring and constructing additions, extensions, and improvements to the Township's Water Supply and Sewage Disposal System. Over the last several years, the Oakland-Macomb Interceptor Drain Drainage District (OMID) and the Macomb Interceptor Drain Drainage District (MID) issued bonds for repairs and improvements to the interceptor drain system and pumping stations and equipment. A portion of these loans has been allocated to the Township and will be repaid over the life of the bonds. See Note 7 to the basic financial statements for detailed debt 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 to weather uncertainties. Regularly updating the Township's financial forecast has allowed the Township to take corrective action early on to adapt to economic changes.

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 for those two funds. 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 continue to provide the excellent services to which the residents have become accustomed. Unfortunately, the Township's future revenue growth is limited. The Township will only see an inflationary adjustment from property tax revenue going forward as most of the Township is developed and personal property tax for major manufacturers has been eliminated.

The impact of the COVID-19 pandemic was only beginning as the Township's fiscal year ended. The long term effects of the virus and the shutdown of the economy may not be known for some time. We do anticipate a reduction in state shared revenue in the upcoming year. More difficult to measure is the potential effect on property tax values and collections. To counteract the impact of lost revenue, we have applied for grants to fund allowable expenditures, temporarily suspended filling of certain vacant positions and have deferred capital outlay purchases when possible. We will continue to monitor and adapt to developments as they unfold.

Future Strategies Necessary

The Township has successfully approached challenging financial times in a comprehensive, long-term manner and weathered the financial storm to achieve financial stability. By continuing to prepare a three-year forecast, the Township remains proactive and is strategically planning for the future. 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, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 71,894,927	\$ 31,569,524	\$ 103,464,451	\$ 99,565
Receivables:				
Property taxes	267,833	-	267,833	-
Sales to customers on account	-	7,283,618	7,283,618	-
Other	595,709	-	595,709	-
Due from other governmental units	6,885,565	458,718	7,344,283	-
Special assessments - Current	-	230,273	230,273	-
Internal balances (Note 6)	1,462,560	(1,462,560)	-	-
Inventory	-	425,471	425,471	-
Prepaid expenses and other assets	1,274,526	109,846	1,384,372	-
Restricted assets (Note 8)	-	1,535,731	1,535,731	-
Investment in joint ventures (Note 11)	-	83,115	83,115	-
Due from fiduciary funds	1,133,424	-	1,133,424	-
Capital assets:				
Assets not subject to depreciation (Note 5)	3,979,212	14,886,937	18,866,149	-
Assets subject to depreciation - Net (Note 5)	38,175,522	170,847,051	209,022,573	674,679
Special assessment - Net of current portion	-	1,407,363	1,407,363	-
Total assets	125,669,278	227,375,087	353,044,365	774,244
Deferred Outflows of Resources				
Deferred charges on bond refunding	-	153,591	153,591	-
Deferred pension costs (Note 13)	44,542,128	904,220	45,446,348	-
Deferred OPEB costs (Note 14)	9,768,112	762,778	10,530,890	-
Total deferred outflows of resources	54,310,240	1,820,589	56,130,829	-
Liabilities				
Accounts payable	784,788	4,433,817	5,218,605	-
Accrued liabilities and other	1,287,849	195,526	1,483,375	-
Payable to joint ventures (Note 11)	3,024,636	-	3,024,636	-
Unearned revenue (Note 15)	14,529	-	14,529	-
Noncurrent liabilities: (Note 7)				
Due within one year:				
Compensated absences - Less than one year	860,940	64,038	924,978	-
Current portion of long-term debt	1,452,212	3,867,012	5,319,224	-
Due in more than one year:				
Compensated absences	2,008,857	149,422	2,158,279	-
Refundable bonds and deposits	-	620,818	620,818	-
Net pension liability (Note 13)	99,907,400	8,817,725	108,725,125	-
Net OPEB liability (Note 14)	56,925,116	4,445,200	61,370,316	-
Long-term debt	10,360,375	57,340,824	67,701,199	-
Total liabilities	176,626,702	79,934,382	256,561,084	-
Deferred Inflows of Resources				
Deferred benefit on bond refunding	-	232,594	232,594	-
Deferred pension cost reductions (Note 13)	29,531,684	72,744	29,604,428	-
Deferred OPEB cost reductions (Note 14)	7,979,329	623,094	8,602,423	-
Total deferred inflows of resources	37,511,013	928,432	38,439,445	-
Net Position				
Net investment in capital assets	30,342,147	126,201,018	156,543,165	674,679
Restricted:				
Fire department services	448,366	-	448,366	-
Street light services	422,432	-	422,432	-
Drug forfeiture activities	213,360	-	213,360	-
Debt service	2,575,780	-	2,575,780	-
Bond covenants	-	438,500	438,500	-
Drainage services	304,999	-	304,999	-
DEA task force	147,534	-	147,534	-
Transportation	100,000	-	100,000	-
Capital projects	-	2,675,125	2,675,125	-
Grants	-	44,167	44,167	-
Unrestricted	(68,712,815)	18,974,052	(49,738,763)	99,565
Total net position	\$ (34,158,197)	\$ 148,332,862	\$ 114,174,665	\$ 774,244

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	\$ 6,175,371	\$ 161,643	\$ 1,924,146	\$ -
Public safety	49,212,267	2,211,241	149,495	51,470
Public works	5,876,972	743,147	-	-
Community and economic development	1,458,025	-	5,578	-
Recreation and culture	2,948,314	494,568	64,581	-
Interest on long-term debt	425,792	-	-	-
Total governmental activities	66,096,741	3,610,599	2,143,800	51,470
Business-type activities:				
Water and Sewer Fund	38,718,110	44,312,728	19,614	583,640
Senior Housing Fund	1,421,976	2,311,832	-	-
Sanitation Fund	4,380,278	4,093,871	-	-
Special Assessment Fund	712,072	630,700	-	-
Total business-type activities	45,232,436	51,349,131	19,614	583,640
Total primary government	\$ 111,329,177	\$ 54,959,730	\$ 2,163,414	\$ 635,110
Component units:				
Economic Development Corporation	\$ 735	\$ -	\$ -	\$ -
Downtown Development Authority	22,946	-	-	-
Total component units	\$ 23,681	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Gain on sale of capital assets				
Other miscellaneous income				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended March 31, 2020

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	
\$ (4,089,582)	\$ -	\$ (4,089,582)	\$ -	-
(46,800,061)	-	(46,800,061)	-	-
(5,133,825)	-	(5,133,825)	-	-
(1,452,447)	-	(1,452,447)	-	-
(2,389,165)	-	(2,389,165)	-	-
(425,792)	-	(425,792)	-	-
(60,290,872)	-	(60,290,872)	-	-
-	6,197,872	6,197,872	-	-
-	889,856	889,856	-	-
-	(286,407)	(286,407)	-	-
-	(81,372)	(81,372)	-	-
-	6,719,949	6,719,949	-	-
(60,290,872)	6,719,949	(53,570,923)	-	-
-	-	-	-	(735)
-	-	-	-	(22,946)
-	-	-	-	(23,681)
42,435,987	-	42,435,987	-	-
9,548,441	-	9,548,441	-	-
530,987	740,369	1,271,356	-	1,118
239,045	87,523	326,568	-	-
3,134,637	-	3,134,637	-	-
55,889,097	827,892	56,716,989	-	1,118
37,504	(37,504)	-	-	-
(4,364,271)	7,510,337	3,146,066	-	(22,563)
(29,793,926)	140,822,525	111,028,599	-	796,807
\$ (34,158,197)	\$ 148,332,862	\$ 114,174,665	\$ 774,244	\$ -

Charter Township of Clinton

Governmental Funds Balance Sheet

March 31, 2020

	General Fund	Fire Fund	Police Fund	Court Building Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and investments (Note 3)	\$ 17,168,135	\$ 19,556,537	\$ 33,289,061	\$ -	\$ 1,881,194	\$ 71,894,927
Receivables:						
Property taxes	267,833	-	-	-	-	267,833
Other	539,984	879	54,846	-	-	595,709
Due from other governmental units	2,306,989	864,861	1,041,969	2,575,780	95,966	6,885,565
Due from other funds (Note 6)	1,474,792	-	-	-	-	1,474,792
Prepaid expenditures and other assets	1,133,979	44,622	95,175	750	-	1,274,526
Due from fiduciary funds	1,133,424	-	-	-	-	1,133,424
Total assets	\$ 24,025,136	\$ 20,466,899	\$ 34,481,051	\$ 2,576,530	\$ 1,977,160	\$ 83,526,776
Liabilities						
Accounts payable	\$ 452,955	\$ 107,331	\$ 122,493	\$ -	\$ 102,009	\$ 784,788
Due to other funds (Note 6)	-	-	-	750	11,482	12,232
Accrued liabilities and other	366,646	280,542	452,246	-	1,500	1,100,934
Unearned revenue	14,529	-	-	-	-	14,529
Total liabilities	834,130	387,873	574,739	750	114,991	1,912,483
Deferred Inflows of Resources - Unavailable revenue (Note 15)	649,704	-	-	2,575,780	-	3,225,484
Total liabilities and deferred inflows of resources	1,483,834	387,873	574,739	2,576,530	114,991	5,137,967
Fund Balances						
Nonspendable - Prepays	1,133,979	44,622	95,175	750	-	1,274,526
Restricted:						
Drainage	-	-	-	-	304,999	304,999
Police (\$17,152,202 for 2021 operations)	-	-	33,811,137	-	147,534	33,958,671
Fire (\$14,075,243 for 2021 operations and \$448,366 for equipment replacement)	-	20,034,404	-	-	-	20,034,404
Drug forfeiture	-	-	-	-	213,360	213,360
Street lighting	-	-	-	-	422,432	422,432
Transportation	-	-	-	-	100,000	100,000
Assigned:						
Subsequent year's budget	6,038,720	-	-	-	-	6,038,720
Workers' compensation claims	250,000	-	-	-	-	250,000
Capital projects	-	-	-	-	673,844	673,844
Unassigned	15,118,603	-	-	(750)	-	15,117,853
Total fund balances	22,541,302	20,079,026	33,906,312	-	1,862,169	78,388,809
Total liabilities, deferred inflows of resources, and fund balances	\$ 24,025,136	\$ 20,466,899	\$ 34,481,051	\$ 2,576,530	\$ 1,977,160	\$ 83,526,776

Charter Township of Clinton

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

March 31, 2020

Fund Balances Reported in Governmental Funds	\$ 78,388,809
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	42,154,734
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	3,225,484
Payables to joint ventures are not due and payable in the current period and are not reported in the funds	(3,024,636)
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(11,812,587)
Accrued interest is not due and payable in the current period and is not reported in the funds	(23,288)
Some employee fringe benefits 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:	
Employee compensated absences	(2,869,797)
Pension benefits	(84,896,956)
Other postemployment health care benefits	<u>(55,136,333)</u>
Total employee fringe benefits not reported as fund liabilities	(142,903,086)
Accrued workers' compensation liability is not reported in the governmental funds	<u>(163,627)</u>
Net Position of Governmental Activities	<u><u>\$ (34,158,197)</u></u>

Charter Township of Clinton

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended March 31, 2020

	General Fund	Fire Fund	Police Fund	Court Building Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 2,478,964	\$ 17,930,493	\$ 21,563,642	\$ -	\$ 462,888	\$ 42,435,987
Special assessments	-	-	-	-	54,944	54,944
Intergovernmental:						
Federal sources	25,751	5,250	101,170	-	740,861	873,032
State-shared revenue and grants	9,540,052	129,424	236,907	-	-	9,906,383
Licenses and permits	1,435,607	10,875	-	-	-	1,446,482
Fines and forfeitures	-	-	-	-	150,618	150,618
Interest	331,755	188,237	373,215	-	10,995	904,202
Other revenue:						
Local donations	63,464	-	-	942,756	-	1,006,220
Other miscellaneous income	4,130,999	31,020	459,163	-	77,065	4,698,247
Total revenue	<u>18,006,592</u>	<u>18,295,299</u>	<u>22,734,097</u>	<u>942,756</u>	<u>1,497,371</u>	<u>61,476,115</u>
Expenditures						
Current services:						
General government	5,357,432	-	-	-	88,158	5,445,590
Public safety	2,067,497	16,755,847	21,650,631	-	134,648	40,608,623
Public works	5,333,605	-	-	-	1,790,514	7,124,119
Community and economic development	790,521	-	-	-	778,365	1,568,886
Recreation and culture	3,610,172	-	-	-	-	3,610,172
Debt service:						
Principal	96,250	670,000	-	642,000	35,307	1,443,557
Interest on long-term debt	57,674	67,963	-	300,756	-	426,393
Total expenditures	<u>17,313,151</u>	<u>17,493,810</u>	<u>21,650,631</u>	<u>942,756</u>	<u>2,826,992</u>	<u>60,227,340</u>
Excess of Revenue Over (Under) Expenditures	693,441	801,489	1,083,466	-	(1,329,621)	1,248,775
Other Financing Sources (Uses)						
Transfers in (Note 6)	-	-	-	-	1,377,504	1,377,504
Transfers out (Note 6)	(1,340,000)	-	-	-	-	(1,340,000)
Proceeds from sale of capital assets	216,570	8,325	12,495	-	1,655	239,045
Total other financing (uses) sources	<u>(1,123,430)</u>	<u>8,325</u>	<u>12,495</u>	<u>-</u>	<u>1,379,159</u>	<u>276,549</u>
Net Change in Fund Balances	(429,989)	809,814	1,095,961	-	49,538	1,525,324
Fund Balances - Beginning of year	<u>22,971,291</u>	<u>19,269,212</u>	<u>32,810,351</u>	<u>-</u>	<u>1,812,631</u>	<u>76,863,485</u>
Fund Balances - End of year	<u><u>\$ 22,541,302</u></u>	<u><u>\$ 20,079,026</u></u>	<u><u>\$ 33,906,312</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,862,169</u></u>	<u><u>\$ 78,388,809</u></u>

Charter Township of Clinton

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended March 31, 2020

Net Change in Fund Balances Reported in Governmental Funds	\$ 1,525,324
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay and donated assets	3,115,477
Depreciation expense	(2,969,824)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(514,941)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	1,442,861
Interest expense is recorded in the statement of activities when incurred; it is not reported in the governmental funds until paid	1,297
Increase in accumulated workers' compensation accrual decreases net position in the statement of activities	(52,456)
Other postemployment benefit liability is reported in the statement of activities at the time it is earned but not in the governmental funds until paid	2,422,053
Pension liability is reported in the statement of activities at the time it is earned but not in the governmental funds until paid	(9,281,661)
Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	130,213
Expense from joint ventures is not recorded in the funds	(182,614)
Change in Net Position of Governmental Activities	<u><u>\$ (4,364,271)</u></u>

Charter Township of Clinton

Proprietary Funds Statement of Net Position

March 31, 2020

	Water and Sewer Fund	Senior Housing Fund	Nonmajor Proprietary Funds	Total Enterprise Funds
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 26,807,399	\$ 2,559,003	\$ 2,203,122	\$ 31,569,524
Receivables:				
Special assessments receivable - Current	-	-	230,273	230,273
Sales to customers on account	6,420,500	-	863,118	7,283,618
Due from other governmental units	440,533	-	18,185	458,718
Inventory	425,471	-	-	425,471
Prepaid expenses and other assets	87,222	22,624	-	109,846
Total current assets	34,181,125	2,581,627	3,314,698	40,077,450
Noncurrent assets:				
Restricted assets (Note 8)	1,535,731	-	-	1,535,731
Investment in joint ventures (Note 11)	-	-	83,115	83,115
Capital assets - Net (Note 5)	177,564,112	8,133,930	35,946	185,733,988
Special assessment - Net of current portion	-	-	1,407,363	1,407,363
Total noncurrent assets	179,099,843	8,133,930	1,526,424	188,760,197
Total assets	213,280,968	10,715,557	4,841,122	228,837,647
Deferred Outflows of Resources				
Deferred charges on bond refunding (Note 15)	153,591	-	-	153,591
Deferred pension costs (Note 13)	861,517	-	42,703	904,220
Deferred OPEB costs (Note 14)	762,778	-	-	762,778
Liabilities				
Current liabilities:				
Accounts payable	4,072,345	35,209	326,263	4,433,817
Due to other funds (Note 6)	-	-	1,462,560	1,462,560
Accrued liabilities and other	192,220	3,306	-	195,526
Compensated absences - Less than one year	64,038	-	-	64,038
Current portion of long-term debt (Note 7)	3,853,262	13,750	-	3,867,012
Total current liabilities	8,181,865	52,265	1,788,823	10,022,953
Noncurrent liabilities:				
Compensated absences	149,422	-	-	149,422
Net pension liability (Note 13)	8,401,284	-	416,441	8,817,725
Net OPEB liability (Note 14)	4,445,200	-	-	4,445,200
Long-term debt (Note 7)	57,140,199	200,625	-	57,340,824
Refundable bonds and deposits	517,953	102,865	-	620,818
Total noncurrent liabilities	70,654,058	303,490	416,441	71,373,989
Total liabilities	78,835,923	355,755	2,205,264	81,396,942
Deferred Inflows of Resources				
Deferred benefit on bond refunding	232,594	-	-	232,594
Deferred pension cost reductions (Note 13)	69,308	-	3,436	72,744
Deferred OPEB cost reductions (Note 14)	623,094	-	-	623,094
Net Position				
Net investment in capital assets	118,245,517	7,919,555	35,946	126,201,018
Restricted:				
Bond covenants	438,500	-	-	438,500
Capital projects	-	-	2,675,125	2,675,125
Grants	-	44,167	-	44,167
Unrestricted	16,613,918	2,396,080	(35,946)	18,974,052
Total net position	<u>\$ 135,297,935</u>	<u>\$ 10,359,802</u>	<u>\$ 2,675,125</u>	<u>\$ 148,332,862</u>

Charter Township of Clinton

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position

Year Ended March 31, 2020

	Water and Sewer Fund	Senior Housing Fund	Nonmajor Proprietary Funds	Total Enterprise Funds
Operating Revenue				
Charges for sales and services	\$ 43,256,599	\$ -	\$ 4,724,321	\$ 47,980,920
Rent	-	2,281,609	-	2,281,609
Other	578,709	30,223	250	609,182
Total operating revenue	43,835,308	2,311,832	4,724,571	50,871,711
Operating Expenses				
Cost of water and sewage disposal	22,364,854	-	-	22,364,854
Operation and maintenance	1,644,385	1,004,646	5,071,447	7,720,478
General and administrative	2,460,967	-	-	2,460,967
Salaries and fringe benefits	4,530,705	-	-	4,530,705
Depreciation	5,636,018	409,363	20,903	6,066,284
Total operating expenses	36,636,929	1,414,009	5,092,350	43,143,288
Operating Income (Loss)	7,198,379	897,823	(367,779)	7,728,423
Nonoperating Revenue (Expense)				
Investment income	625,081	30,997	84,291	740,369
Interest expense	(1,917,799)	(7,967)	-	(1,925,766)
Bond issuance costs	(163,382)	-	-	(163,382)
Gain on disposal of assets	87,523	-	-	87,523
Debt, capital charges, and tap fees	477,420	-	-	477,420
Federal interest subsidy	19,614	-	-	19,614
Total nonoperating (expense) revenue	(871,543)	23,030	84,291	(764,222)
Income (Loss) - Before contributions	6,326,836	920,853	(283,488)	6,964,201
Capital Contributions - Lines donated by developers	583,640	-	-	583,640
Transfers Out (Note 6)	-	(37,504)	-	(37,504)
Change in Net Position	6,910,476	883,349	(283,488)	7,510,337
Net Position - Beginning of year	128,387,459	9,476,453	2,958,613	140,822,525
Net Position - End of year	\$ 135,297,935	\$ 10,359,802	\$ 2,675,125	\$ 148,332,862

Charter Township of Clinton

Proprietary Funds Statement of Cash Flows

Year Ended March 31, 2020

	Water and Sewer Fund	Senior Housing Fund	Nonmajor Proprietary Funds	Total Enterprise Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 44,521,472	\$ 2,315,349	\$ 4,520,184	\$ 51,357,005
Internal activity - Payments from other funds	1,130,536	-	693,911	1,824,447
Payments to suppliers	(25,864,791)	(1,081,548)	(4,734,849)	(31,681,188)
Payments to employees	(5,831,840)	-	(300,011)	(6,131,851)
Other receipts	-	-	556	556
Net cash and cash equivalents provided by operating activities	13,955,377	1,233,801	179,791	15,368,969
Cash Flows Used in Noncapital Financing Activities -				
Transfers to other funds	-	(37,504)	-	(37,504)
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of capital assets	87,523	-	-	87,523
Purchase of capital assets	(11,034,335)	(243,386)	-	(11,277,721)
Principal and interest paid on capital debt	(6,603,503)	(21,882)	-	(6,625,385)
Collection of debt, capital charges, and tap fees	477,420	-	-	477,420
Net cash used in capital and related financing activities	(17,072,895)	(265,268)	-	(17,338,163)
Cash Flows Provided by Investing Activities - Interest received on investments	625,081	30,997	84,291	740,369
Net (Decrease) Increase in Cash and Cash Equivalents	(2,492,437)	962,026	264,082	(1,266,329)
Cash and Cash Equivalents - Beginning of year	29,299,836	1,596,977	1,939,040	32,835,853
Cash and Cash Equivalents - End of year	\$ 26,807,399	\$ 2,559,003	\$ 2,203,122	\$ 31,569,524
Statement of Net Position Classification of Cash and Cash Equivalents	\$ 26,807,399	\$ 2,559,003	\$ 2,203,122	\$ 31,569,524
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 7,198,379	\$ 897,823	\$ (367,779)	\$ 7,728,423
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	5,636,018	409,363	20,903	6,066,284
Changes in assets and liabilities:				
Receivables	686,164	3,517	(203,831)	485,850
Due to other funds	1,130,536	-	693,911	1,824,447
Inventories	(11,194)	-	-	(11,194)
Investments in joint ventures	-	-	26,138	26,138
Prepaid and other assets	(87,222)	(406)	-	(87,628)
Accrued and other liabilities	(1,301,135)	-	(10,159)	(1,311,294)
Accounts payable	703,831	(76,496)	20,608	647,943
Net cash provided by operating activities	\$ 13,955,377	\$ 1,233,801	\$ 179,791	\$ 15,368,969
Significant Noncash Investing and Financing Transactions - Contribution of capital assets from developers and other funds	\$ 583,640	\$ -	\$ -	\$ 583,640

Charter Township of Clinton

**Fiduciary Funds
Statement of Net Position**

March 31, 2020

	<u>Pension and Other Employee Benefit Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ -	\$ 1,436,691
Investments:		
Bank investment pools and money market funds	2,193,739	-
Corporate bonds	20,563	-
Domestic stock	28,606,055	-
Foreign stock	1,474,075	-
Mutual funds	85,631,302	-
Real estate investment trusts	4,302,523	-
Limited partnerships	35,535,605	-
Hedge funds	2,831,447	-
Cash and investments held as collateral under securities lending agreements	2,175,037	-
Receivables	467	50
Prepaid expenses and other assets	1,056,853	-
Total assets	163,827,666	<u><u>\$ 1,436,741</u></u>
Liabilities		
Accounts payable	107,288	\$ 218,138
Due to other funds	1,133,424	-
Refundable deposits, bonds, etc.	-	1,218,603
Payable to joint ventures	2,175,037	-
Total liabilities	3,415,749	<u><u>\$ 1,436,741</u></u>
Net Position Restricted for Pension and Other Employee Benefits	<u><u>\$ 160,411,917</u></u>	

**Fiduciary Funds
Statement of Changes in Net Position**

Year Ended March 31, 2020

	<u>Pension and Other Employee Benefit Trust Funds</u>
Additions	
Investment income (loss):	
Interest and dividends	\$ 3,338,895
Net decrease in fair value of investments	(14,934,429)
Investment-related expenses	<u>(770,316)</u>
Net investment loss	(12,365,850)
Securities lending income - Interest and dividends	1,057
Contributions:	
Employer	13,585,387
Employee	<u>1,698,918</u>
Total contributions	<u>15,284,305</u>
Total additions	2,919,512
Deductions	
Benefit payments and annuity withdrawals	15,041,391
Administrative expenses	<u>313,510</u>
Total deductions	<u>15,354,901</u>
Net Decrease in Net Position Held in Trust	(12,435,389)
Net Position Restricted for Pension and Other Employee Benefits - Beginning of year	<u>172,847,306</u>
Net Position Restricted for Pension and Other Employee Benefits - End of year	<u><u>\$ 160,411,917</u></u>

Charter Township of Clinton

Component Units Statement of Net Position

March 31, 2020

	Economic Development Corporation	Downtown Development Authority	Total
Assets			
Cash and investments (Note 3)	\$ 99,565	\$ -	\$ 99,565
Capital assets being depreciated - Net (Note 5)	-	674,679	674,679
Total assets	99,565	674,679	774,244
Net Position			
Net investment in capital assets	-	674,679	674,679
Unrestricted	99,565	-	99,565
Total net position	<u>\$ 99,565</u>	<u>\$ 674,679</u>	<u>\$ 774,244</u>

Charter Township of Clinton

**Component Units
Statement of Activities**

Year Ended March 31, 2020

	Expenses	Net (Expense) Revenue and Changes in Net Position		Total
		Economic Development Corporation	Downtown Development Authority	
Functions/Programs				
Economic Development Corporation	\$ 735	\$ (735)	\$ -	\$ (735)
Downtown Development Authority	22,946	-	(22,946)	(22,946)
Total component units	<u>\$ 23,681</u>	(735)	(22,946)	(23,681)
General revenue - Investment income		1,118	-	1,118
Change in Net Position		383	(22,946)	(22,563)
Net Position - Beginning of year		99,182	697,625	796,807
Net Position - End of year		<u>\$ 99,565</u>	<u>\$ 674,679</u>	<u>\$ 774,244</u>

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

The Charter Township of Clinton (the "Township") follows accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. 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 Nos. 61 and 80, 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.

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 57 of the Public Acts of Michigan of 2018, 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.

Report Presentation

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.

Note 1 - Significant Accounting Policies (Continued)

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 for goods, services, or privileges provided and (2) operating 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.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the Township's water and sewer function and various other functions. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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, if any, are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the 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.

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.

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.

Note 1 - Significant Accounting Policies (Continued)

Fund Accounting

Governmental Funds

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Fire 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 Fund accounts for the resources from property tax revenue that are restricted for all of the activities of the Township's police department.
- The 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.

Proprietary Funds

The Township reports the following major proprietary funds:

- The Water and Sewer Fund provides water to customers and disposes of sanitary sewage in exchange for monthly user charges.
- The Senior Housing Fund accounts for the activities of the Township's senior housing apartment complex.

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.

Specific Balances and Transactions

Deposits and Investments

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

Receivables and Payables

In general, outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances. All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items

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

Note 1 - Significant Accounting Policies (Continued)

Restricted Assets

Amounts on deposit with the county held for the construction, repair, or debt service of the Township's water and sewer infrastructure are presented as restricted assets.

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 purposes
- Committed - Amounts that have been formally set aside by the board of trustees for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board of trustees
- Assigned - Amounts for which there is intent to spend resources on specific purposes expressed by the governing body or the director of finance, who is authorized by resolution approved by the governing body to make assignments
- Unassigned - Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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 acquisition value at the date of donation. Assets are depreciated starting on the first day of the first fiscal year following the date of acquisition.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there was no interest expense that 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:

	<u>Depreciable Life - Years</u>
Structures, mains, and laterals	25 to 50
Infrastructure	50
Meters	10 to 20
Land improvements	15
Buildings and improvements	25 to 50
Office furniture and equipment	5
Operating equipment	10
Vehicles	3 to 10

Note 1 - Significant Accounting Policies (Continued)

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.

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, net OPEB liability, and deferred charges on bond refunding.

In addition to liabilities, the statement of net position and governmental funds balance sheet report 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 four transactions that are reported as deferred inflows: deferred charges on bond refunding; long-term debt due from other governments; deferred inflows associated with recording the Township's net pension liability and net OPEB 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).

Net Position Flow Assumption

The Township will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The Township itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Note 1 - Significant Accounting Policies (Continued)

Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The Township has, by resolution, authorized the finance director to assign fund balance. The board of trustees may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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 2019 taxable valuation (real and personal property) of the Township totaled \$2,953,194,057, on which ad valorem taxes levied consisted of 0.8100 mills for the Township's operating purposes, 2.1890 mills for fire operating purposes, and 2.4562 mills for police operating purposes. The ad valorem taxes generated approximately \$2,392,000 for general operations, \$6,465,000 for fire operations, and \$7,254,000 for police operations. The 2019 real property taxable valuation of the Township totaled \$2,810,378,470, on which special assessments levied consisted of 5.0000 mills for police operations and 4.0000 mills for fire operations. The special assessment levies generated approximately \$14,052,000 for police operations and \$11,242,000 for fire operations. The industrial facilities tax roll generated approximately \$6,000 for general operations, \$34,000 for police operations, and \$29,000 for fire operations. These amounts are recorded in their respective funds as property tax revenue.

Pension

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 purpose of measuring the net pension liability, the deferred outflows of resources and the deferred inflows of resources related to pension, and pension expense, fiduciary net position has been determined on the same basis as it is 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 health care benefits to retirees. The Township records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, fiduciary net position of the plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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). In the event of a liquidation of compensated absence obligations, the assets of the fund responsible for paying an employees personnel costs will be utilized to meet the obligation.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds is charges to customers for sales or services. Operating expenses for these funds include the cost of sales or services, administrative expenses, and may include depreciation on capital assets. All revenue and expenses not meeting this definition is reported as nonoperating revenue and expenses.

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.

Adoption of New Accounting Pronouncement

As of March 31, 2020, the Township adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Note 7 has been updated to reflect the requirements outlined in the new accounting standard.

Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement, which were originally effective for the Township's financial statements for the year ending March 31, 2021, were extended to March 31, 2023 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement were originally effective for the Township's financial statements for the year ending March 31, 2021 were extended to March 31, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

Note 1 - Significant Accounting Policies (Continued)

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The provisions of this statement, which were originally effective for the Township's financial statements for the year ending March 31, 2022, were extended to March 31, 2023 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The Township does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments, deferred inflows of resources, and, when applicable, capital assets. Operators will recognize liabilities for installment payments, intangible right-to-use assets, and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange of exchange-like transaction. The provisions of this statement are effective for the Township's financial statements for the year ending March 31, 2024.

In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending March 31, 2024.

In June 2020, the Governmental Accounting Standards Board issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 should be considered a pension plan or an other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the Township's financial statements for the year ending March 31, 2023.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

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, 2019	\$ (5,772,000)
Plus permit revenue	1,446,000
Less expenditures	<u>(2,065,000)</u>
Cumulative expenditures over revenue - March 31, 2020	<u>\$ (6,391,000)</u>

Note 3 - 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 law also allows investments outside the State of Michigan when fully insured. 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 that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that 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 11 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 System 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, real estate (if the trust fund's assets exceed \$250 million), 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.

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, 2020 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, 2020, the Fire and Police Pension System had no credit risk exposure to borrowers.

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of 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 prequalification 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 \$102 million of bank deposits (certificates of deposit and 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 - Fire and Police Pension System and Public Employee Healthcare Fund

The Fire and Police Pension System and the Township's Public Employee Healthcare (OPEB) Fund do not have an investment policy for custodial credit risk. At year end, the Fire and Police Pension System and OPEB fund had no bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Fire and Police Pension System and OPEB fund evaluate each financial institution with which they deposit funds and assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy requires the Township to minimize the risk that the market value of the securities in the portfolio will fall due to changes in general interest rates by structuring the portfolio to meet the cash requirements of ongoing operations, thereby mitigating the need to liquidate securities at a loss prior to maturity. The Fire and Police Pension System and the Township's Public Employee Healthcare Fund do not have an investment policy for interest rate risk.

Investment Type	Fair Value of Township Investments and Pension Trust Funds	Less Than 1 Year	1 to 5 Years	6 to 10 Years	Greater Than 10 Years
Bank investment pool	\$ 2,193,739	\$ 2,193,739	\$ -	\$ -	\$ -
Debt mutual funds	33,238,544	-	14,872,204	18,366,340	-
Total	\$ 35,432,283	\$ 2,193,739	\$ 14,872,204	\$ 18,366,340	\$ -

Note 3 - Deposits and Investments (Continued)

Credit Risk

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

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 2,193,739	Not rated	N/A
Debt mutual funds	3,824,762	AAA	S&P or Fitch
Debt mutual funds	1,736,786	AA	S&P or Fitch
Debt mutual funds	6,431,424	A	S&P or Fitch
Debt mutual funds	7,698,596	BBB	S&P or Fitch
Debt mutual funds	648,102	Below BBB	S&P or Fitch
Debt mutual funds	20,563	Not rated	N/A
Total	<u>\$ 22,553,972</u>		

Securities Lending

As permitted by some state statutes and under the provisions of a Securities Lending Authorization Agreement, the Fire and Police Pension System 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, 2020, only United States currency was received as collateral.

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 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, 2020 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, 2020, the Fire and Police Pension System had no credit risk exposure to borrowers. The collateral held on loans for the Fire and Police Pension System as of March 31, 2020 was \$2,175,037.

Note 4 - Fair Value Measurements

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Township has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

March 31, 2020

Note 4 - Fair Value Measurements (Continued)

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

Investments that are measured at fair value using net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Township’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Township has the following recurring fair value measurements as of March 31, 2020:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2020
Investments by Fair Value Level				
Debt security - Corporate bond	\$ -	\$ 20,563	\$ -	\$ 20,563
Equity securities:				
Mutual funds	85,631,302	-	-	85,631,302
Domestic stock	28,606,055	-	-	28,606,055
Foreign stock	1,474,075	-	-	1,474,075
Total equity securities	115,711,432	-	-	115,711,432
Alternative investments:				
Limited partnerships	-	-	22,826,232	22,826,232
Hedge funds	-	-	955,954	955,954
Total alternative investments	-	-	23,782,186	23,782,186
Total investments by fair value level	<u>\$ 115,711,432</u>	<u>\$ 20,563</u>	<u>\$ 23,782,186</u>	139,514,181
Investments Measured at NAV				
Limited partnerships				12,709,373
Real estate investment trusts				4,302,523
Hedge funds				<u>1,875,493</u>
Total investments measured at NAV				<u>18,887,389</u>
Total investments measured at fair value				<u>\$ 158,401,570</u>

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of the corporate bond at March 31, 2020 was determined primarily based on Level 2 inputs. The Township estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

March 31, 2020

Note 4 - Fair Value Measurements (Continued)

The fair value of alternative investments at March 31, 2020 was determined primarily based on Level 3 inputs. The Township estimates the fair value of these investments using audited financial statements of the investments.

Investments in Entities that Calculate Net Asset Value per Share

The Township holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At March 31, 2020, the fair value, unfunded commitments, and redemption rules of those investments is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Limited partnerships	\$ 12,709,373	\$ 691,255	Quarterly	90 - 95 days
Real estate investment trusts	4,302,523	-	Quarterly	45 days
Hedge funds	1,875,493	-	Quarterly	45 days
Total investments measured at NAV	<u>\$ 18,887,389</u>	<u>\$ 691,255</u>		

The limited partnership class includes four funds that invest in a broad range of investment vehicles. One fund invests primarily in public and private non-investment grade and nonrated debt securities. These securities and other instruments acquired by the fund may include, but are not limited to, all types of debt obligations, including bank debt, public and private equity, options, swaps, and real estate-related instruments. The second fund invests in global distressed corporate securities, activist equities, value equities, postreorganizational equities, municipal bonds, high-yield bonds, leveraged loans, unsecured debt, collateralized debt obligations, mortgage-backed securities, commercial mortgage-backed securities, direct lending, and sovereign debt. The third fund invests in U.S. fixed-income instruments and non-U.S. sovereign debt. This fund concentrates its investments in securities of countries having the best value in the form of high real interest rates. The fourth fund invests in real estate investments, mortgages, and other loans.

The real estate investment trust class includes several real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this class have been estimated using net asset value of the Township's ownership interest in partners' capital.

The global opportunities hedge fund class includes one fund whose objective is to seek above-average rates of return and long-term capital growth through investment as a fund of funds in or with a diversified portfolio of private investment entities and/or separately managed accounts managed by investment managers selected by the funds investment advisor.

There were no redemption limitation or other restrictions on these investments as of March 31, 2020.

March 31, 2020

Note 5 - Capital Assets

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

Governmental Activities

	Balance April 1, 2019	Additions	Disposals	Balance March 31, 2020
Capital assets not being depreciated - Land	\$ 3,916,096	\$ 63,116	\$ -	\$ 3,979,212
Capital assets being depreciated:				
Buildings and improvements	44,428,870	124,311	-	44,553,181
Operating equipment	7,220,371	204,286	-	7,424,657
Vehicles	8,462,318	1,264,776	(270,358)	9,456,736
Office furniture and equipment	4,852,147	77,718	(129,882)	4,799,983
Land improvements	6,153,515	285,774	-	6,439,289
Infrastructure assets	4,151,225	1,095,496	-	5,246,721
Subtotal	75,268,446	3,052,361	(400,240)	77,920,567
Accumulated depreciation:				
Buildings and improvements	19,815,108	1,136,355	-	20,951,463
Operating equipment	4,796,429	361,690	-	5,158,119
Vehicles	4,834,523	875,631	(270,358)	5,439,796
Office furniture and equipment	4,296,307	212,060	(129,882)	4,378,485
Land improvements	2,776,460	301,063	-	3,077,523
Infrastructure assets	656,634	83,025	-	739,659
Subtotal	37,175,461	2,969,824	(400,240)	39,745,045
Net capital assets being depreciated	38,092,985	82,537	-	38,175,522
Net governmental activities capital assets	\$ 42,009,081	\$ 145,653	\$ -	\$ 42,154,734

March 31, 2020

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance April 1, 2019	Additions	Transfers from Construction in Progress	Disposals and Adjustments	Balance March 31, 2020
Capital assets not being depreciated:					
Land	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
Construction in progress	9,574,647	9,051,836	(4,739,546)	-	13,886,937
Subtotal	10,574,647	9,051,836	(4,739,546)	-	14,886,937
Capital assets being depreciated:					
Structures, mains, and laterals	254,095,079	2,054,334	4,739,546	-	260,888,959
Meters	5,219,621	-	-	-	5,219,621
Buildings and improvements	15,933,773	243,385	-	-	16,177,158
Equipment	4,336,023	265,556	-	(78,900)	4,522,679
Vehicles	3,294,780	236,666	-	(381,132)	3,150,314
Furniture and fixtures	573,677	9,584	-	(7,188)	576,073
Land improvements	349,173	-	-	-	349,173
Subtotal	283,802,126	2,809,525	4,739,546	(467,220)	290,883,977
Accumulated depreciation:					
Structures, mains, and laterals	94,689,613	4,772,333	-	-	99,461,946
Meters	4,321,213	108,729	-	-	4,429,942
Buildings and improvements	8,649,651	405,184	-	-	9,054,835
Equipment	3,523,849	331,902	-	(78,900)	3,776,851
Vehicles	2,368,304	435,283	-	(381,132)	2,422,455
Furniture and fixtures	551,842	8,674	-	(7,188)	553,328
Land improvements	333,390	4,179	-	-	337,569
Subtotal	114,437,862	6,066,284	-	(467,220)	120,036,926
Net capital assets being depreciated	169,364,264	(3,256,759)	4,739,546	-	170,847,051
Net business-type activities capital assets	\$ 179,938,911	\$ 5,795,077	\$ -	\$ -	\$ 185,733,988

Component Units

	Balance April 1, 2019	Additions	Disposals and Adjustments	Balance March 31, 2020
Capital assets being depreciated - Land improvements	\$ 883,772	\$ -	\$ -	\$ 883,772
Accumulated depreciation - Land improvements	186,147	22,946	-	209,093
Net capital assets being depreciated	\$ 697,625	\$ (22,946)	\$ -	\$ 674,679

Construction in progress includes the following:

- A total of \$3,429,435 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 8 for additional information.

March 31, 2020

Note 5 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 412,635
Public safety		1,506,390
Public works		325,089
Recreation and senior activities		414,989
Infrastructure assets constructed by special assessment fund		<u>310,721</u>
Total governmental activities		<u>\$ 2,969,824</u>
Business-type activities:		
Water and sewer		\$ 5,636,018
Sanitation		20,903
Senior housing		<u>409,363</u>
Total business-type activities		<u>\$ 6,066,284</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Borrowed From	Fund Loaned To	Amount
General Fund	Court Building Debt Service Fund	\$ 750
	Other nonmajor funds	<u>1,474,042</u>
	Total	<u>\$ 1,474,792</u>

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

Receivable	Payable	Amount
Other nonmajor funds	General Fund (1)	\$ 1,340,000
	Senior Housing Fund (2)	<u>37,504</u>
	Total	<u>\$ 1,377,504</u>

- (1) Transfer of discretionary funds to be used for the benefit of the community.
- (2) Transfer of program income from senior housing fund related to CDBG activities.

March 31, 2020

Note 7 - Long-term Debt

Long-term debt activity for the year ended March 31, 2020 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:							
Direct borrowings and direct placements:							
41-B District Court Refunding Bonds - Series 2015:							
Amount of issue - \$11,447,000							
Maturing through 2031							
	3.15%	\$636,000 - \$926,000	\$ 9,524,000	\$ -	\$ (642,000)	\$ 8,882,000	\$ 636,000
MDOT Infrastructure Loan:							
Loan amount - \$334,405							
Maturing through 2021							
	1.00%	\$34,611 - \$34,962	69,573	-	(34,611)	34,962	34,962
Total direct borrowings and direct placements principal outstanding			9,593,573	-	(676,611)	8,916,962	670,962
Other debt:							
Fire Building Refunding Bonds - Series 2011:							
Amount of issue - \$6,355,000							
Maturing through 2022							
	3.00% - 3.50%	\$685,000 - \$710,000	2,065,000	-	(670,000)	1,395,000	685,000
Capital Improvement Bonds - Series 2010:							
Amount of issue \$2,187,500							
Maturing through 2032							
	2.875% - 4.00%	\$96,250 - \$157,500	1,596,875	-	(96,250)	1,500,625	96,250
Total other debt principal outstanding			3,661,875	-	(766,250)	2,895,625	781,250
Total governmental activities bond/loan obligations			13,255,448	-	(1,442,861)	11,812,587	1,452,212
Other long-term obligations - Compensated absences			3,000,010	-	(130,213)	2,869,797	860,940
Total governmental activities			\$ 16,255,458	\$ -	\$ (1,573,074)	\$ 14,682,384	\$ 2,313,152

March 31, 2020

Note 7 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Business-type activities:						
Direct borrowings and direct placements:						
Revenue Bonds - CWRP Project 5191-01:						
Amount of issue - \$1,405,000						
Maturing through 2024	2.13%	\$ 410,000	\$ -	\$ (80,000)	\$ 330,000	\$ 80,000
Revenue Bonds - SQWIF Project 3001-01:						
Amount of issue - \$270,000						
Maturing through 2024	1.63%	58,471	-	(10,000)	48,471	10,000
Revenue Bonds - SRF Project 5525-01:						
Amount of issue - \$5,630,000						
Maturing through 2034	2.50%	4,362,150	-	(225,000)	4,137,150	230,000
Revenue Bonds - SRF Project 5525-02:						
Amount of issue - \$5,035,000						
Maturing through 2035	2.50%	3,517,899	-	(210,000)	3,307,899	215,000
Revenue Refunding Bonds - Series 2015:						
Amount of issue - \$7,528,000						
Maturing through 2026	2.070%	5,275,000	-	(890,000)	4,385,000	898,000
Revenue Bonds - SRF Project 5525-03:						
Amount of issue - \$2,575,000						
Maturing through 2036	2.50%	2,312,878	-	(105,000)	2,207,878	110,000
County drain contract obligations:						
North Gratiot Interceptor Drainage District - Series 2010:						
Amount of issue - \$172,370						
Maturing through 2035	4.55% - 6.35%	124,769	-	(6,096)	118,673	6,249
North Gratiot Interceptor Drainage District - Series 2015:						
Amount of issue - \$1,409,785						
Maturing through 2033	3.50% - 5.00%	1,213,544	-	(80,488)	1,133,056	80,903
2010A OMID Drainage District (SRF):						
Amount of issue - \$2,932,468						
Maturing through 2031	2.50%	1,932,028	-	(140,010)	1,792,018	143,384
2010B OMID Drainage District:						
Amount of issue - \$753,472						
Refunded by 2019 OMID Drainage District Refunding Bonds	4.70% - 5.90%	501,566	-	(501,566)	-	-
2011 OMID Drainage District:						
Amount of issue - \$3,524,966						
Maturing through 2033	2.50%	2,799,400	-	(156,021)	2,643,379	160,163
2011 MID Drainage District (Clintondale):						
Amount of issue - \$6,725,673						
Refunded by 2020 MID Drainage District Refunding Bonds	5.00%	5,011,500	-	(5,011,500)	-	-
2013A OMID Drainage District:						
Amount of issue - \$7,691,967						
Maturing through 2034	2.00%	6,387,143	-	(342,443)	6,044,700	349,528
2014A OMID Drainage District:						
Amount of issue - \$1,124,653						
Maturing through 2034	2.00% - 3.125%	945,113	-	(47,411)	897,702	48,966
2015 OMID Drainage District:						
Amount of issue - \$2,249,648						
Maturing through 2036	2.50%	1,979,372	-	(95,391)	1,883,981	96,716
2015A MID Drainage District:						
Amount of issue - \$805,071						
Maturing through 2035	2.50%	536,718	8,059	(33,955)	510,822	35,051
2017 MID Drainage District:						
Amount of issue - \$25,380,662						
Maturing through 2042	5.00%	23,855,703	-	(792,635)	23,063,068	832,250
2019 OMID Drainage District Refunding Bonds:						
Amount of issue - \$507,186	1.85%	-	507,186	(30,926)	476,260	39,923
2020 MID Drainage District Refunding Bonds:						
Amount of issue - \$3,370,479						
Maturing through 2031	5.00%	-	3,370,479	-	3,370,479	229,282

March 31, 2020

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Total business-type activities - Direct borrowings and direct placements principal outstanding		\$ 61,223,254	\$ 3,885,724	\$ (8,758,442)	\$ 56,350,536	\$ 3,565,415
Other debt - Capital Improvement Bonds - Series 2010: Amount of issue: \$312,500 Maturing through 2032	2.875% - 4.00%	228,125	-	(13,750)	214,375	13,750
Compensated absences		232,913	-	(19,453)	213,460	64,038
Bond issuance premium		4,320,793	791,742	(469,610)	4,642,925	287,847
Total business-type activities long-term debt		<u>\$ 66,005,085</u>	<u>\$ 4,677,466</u>	<u>\$ (9,261,255)</u>	<u>\$ 61,421,296</u>	<u>\$ 3,931,050</u>

Debt Service Requirements to Maturity

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

Years Ending March 31	Governmental Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2021	\$ 670,962	\$ 280,133	\$ 781,250	\$ 101,210	\$ 1,833,555
2022	630,000	259,749	815,000	75,863	1,780,612
2023	722,000	239,904	105,000	47,534	1,114,438
2024	714,000	217,161	109,375	43,783	1,084,319
2025	805,000	194,670	113,750	39,807	1,153,227
2026-2030	4,449,000	577,836	665,000	128,500	5,820,336
2031-2035	926,000	29,169	306,250	12,425	1,273,844
2036-2040	-	-	-	-	-
2041-2042	-	-	-	-	-
Total	<u>\$ 8,916,962</u>	<u>\$ 1,798,622</u>	<u>\$ 2,895,625</u>	<u>\$ 449,122</u>	<u>\$ 14,060,331</u>

Years Ending March 31	Business-type Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2021	\$ 3,565,415	\$ 2,003,106	\$ 13,750	\$ 7,728	\$ 5,589,999
2022	3,665,776	1,891,326	15,000	7,287	5,579,389
2023	3,887,111	1,774,325	15,000	6,791	5,683,227
2024	3,351,640	1,659,144	15,625	6,255	5,032,664
2025	3,357,183	1,547,536	16,250	5,687	4,926,656
2026-2030	17,249,343	5,960,569	95,000	18,357	23,323,269
2031-2035	15,736,887	5,359,032	43,750	1,775	21,141,444
2036-2040	3,892,494	946,774	-	-	4,839,268
2041-2042	1,644,687	124,359	-	-	1,769,046
Total	<u>\$ 56,350,536</u>	<u>\$ 21,266,171</u>	<u>\$ 214,375</u>	<u>\$ 53,880</u>	<u>\$ 77,884,962</u>

Note 7 - Long-term Debt (Continued)

Revenue Bonds

The Township has pledged certain revenue of the Water and Sewer Fund, net of operating expenses, to repay the revenue bonds disclosed above. Proceeds from the bonds provided financing for the repair of water and sewer lines. The bonds are payable solely from the net revenue of the water and sewer system. The remaining principal and interest to be paid on the bonds total \$16,922,265. 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 \$10,697,025, compared to annual debt requirements of \$1,876,786.

Defeased Debt

In prior years, the Township defeased certain 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, 2020, \$2,175,000 of Fire Revenue Bonds outstanding are considered defeased.

Note 8 - Restricted Assets

The Water and Sewer Fund accounts for the operation and maintenance of the water and sewer treatment activities of the Township, including the funding of reserves, as required by the revenue bond ordinances.

Unspent bond proceeds are as follows:

Due from Oakland County, Michigan	\$ 392,210
Due from Macomb County, Michigan	<u>1,143,521</u>
Total	<u><u>\$ 1,535,731</u></u>

Note 9 - 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 self-insured for workers' compensation claims and medical benefits up to a retention amount of \$500,000 and \$150,000, respectively, 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.

Note 9 - Risk Management (Continued)

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

	Workers' Compensation		Medical Claims	
	2020	2019	2020	2019
Estimated liability (asset) - Beginning of year	\$ 111,170	\$ 178,550	\$ (176,324)	\$ (79,823)
Estimated claims incurred, including changes in estimates	155,139	4,232	6,900,503	7,336,578
Claim payments	(163,626)	(71,612)	(7,080,651)	(7,433,079)
Estimated liability (asset) - End of year	<u>\$ 102,683</u>	<u>\$ 111,170</u>	<u>\$ (356,472)</u>	<u>\$ (176,324)</u>

Note 10 - Commitments

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 and Macomb County, Michigan have created a wet weather operational plan, and the Township is metering the existing improvements. The Township has spent approximately \$30 million in construction projects, but until we have final approval from both Macomb County, Michigan and the MDEQ, management 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.

March 31, 2020

Note 10 - Commitments (Continued)

Construction Commitments

The Charter Township of Clinton has active construction projects at year end. As of March 31, 2020, the Township's commitments with contractors are as follows:

	Spent to Date	Retainages Payable	Remaining Commitment
Lipke Rd WM Replacement	\$ 236,697	\$ 26,300	\$ 14,977
Log Cabin Restoration	73,532	6,534	24,813
Nunneley WM Replacement	2,086,761	80,000	34,884
Clinton River Rd WM Replacement	-	-	730,128
Remick & Gratiot WM Replacement	-	-	1,117,324
Harrington Pump Station Imp	91,909	10,212	83,102
Ridgewood Pump Station Imp	91,909	10,212	83,102
Little Mack WM Repl-Kemp/Mckins	409,112	20,608	8,810
Cipp Lining	450,347	50,039	1,965,755
San Sewer Repairs	-	-	348,000
San Sewer TV & Cleaning	82,028	9,114	472,808
Clinton Township Water Strg Tank Imp	-	-	103,400
M-97/Groesbeck Study & Corridor Plan	19,792	-	34,208
Normandy Park Pavement	-	-	287,281
Station 3 Parking Lot	-	-	228,880
Normany Pk Parking Lot & Path	-	-	225,870
Buildings - Deck Recladding	-	-	210,800
Garfield-Miller to Metro	328,912	-	113,889
Garfield-19 Mile to Hall	757	-	499,832
Hayes Rd at Moravian	-	-	22,848
Total	\$ 3,871,756	\$ 213,019	\$ 6,610,711

Note 11 - 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's equity interest in the Authority was \$83,115 at March 31, 2020. 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's 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.

Note 11 - Joint Ventures (Continued)

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, Michigan 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 equity loss of the Court in the governmental activities statements based on the same allocation percentages as used to allocate revenue and expenses among participating communities. As of March 31, 2020, the Township has a negative equity interest in the Court of \$3,024,636.

Note 12 - 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 \$302,159, resulting in an employer contribution of \$51,367 and employee contributions of \$23,446.

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 \$1,575,747, resulting in an employer contribution of \$198,790 and employee contributions of \$195,146.

Note 13 - Defined Benefit Pension Plans

Plan Description - Municipal Employees' Retirement System of Michigan

The Township participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS) 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 that 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, MI 48917.

Plan Description - Fire and Police Pension System

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 (the "pension plan") that provides pensions for all police and fire employees of the Charter Township of Clinton. 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 pension 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 pension plan are also included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Management of the pension plan is vested in the Fire and Police 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 the Township appointed by the township board of trustees, and the township treasurer who serves as an ex officio member.

Benefits Provided - MERS

The MERS 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 three-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 three-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. The 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.

Benefits Provided - Fire and Police Pension System

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

Police officers: Eligible after 25 years of service regardless of age. The 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).

Note 13 - Defined Benefit Pension Plans (Continued)

Police sergeants and lieutenants: Eligible after 25 years of service regardless of age. For members promoted prior to January 1, 2008, the pension amount is 2.8 percent of the member's average final compensation 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, the 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. The pension amount is 2.8 percent of the member's average final compensation 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, the pension amount is 2.8 percent of the member's average final compensation times the first 25 years of credited service (maximum is 70 percent of AFC). For members hired on or after April 1, 2011, the 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. The pension amount is 2.8 percent of the member's average final compensation times the first 25 years of credited service (maximum is 70 percent of AFC).

Average final compensation for all employee classes covered in the pension plan 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.

Employees Covered by Benefit Terms

At December 31, 2019 and March 31, 2020, the measurement dates for MERS plan and the Fire and Police Pension System, respectively, the following employees were covered by the benefit terms:

	Municipal Employees' Retirement System of Michigan	Charter Township of Clinton Fire and Police Pension System
Date of member count	December 31, 2019	March 31, 2020
Inactive plan members or beneficiaries currently receiving benefits	205	186
Inactive plan members entitled to but not yet receiving benefits	55	6
Active plan members	154	167
Total employees covered by the plan	<u>414</u>	<u>359</u>

Contributions - MERS Plan

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, 2020, the average active employee contribution rate was 6.1 percent of annual pay, and the Township's average contribution rate was 56.7 percent of annual payroll.

March 31, 2020

Note 13 - Defined Benefit Pension Plans (Continued)

Contributions - Fire and Police Pension System

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, 2020, the average active member contribution rate was 8.2 percent of annual pay, and the Township's average contribution rate was 32.9 percent of annual payroll.

Investment Policy - Fire and Police Pension System

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, 2020:

Asset Class	Target Allocation
Domestic equity	40.00 %
International equity	15.00
Core fixed income	15.00
Real estate	10.00
Alternatives	15.00
Cash	5.00
Total	100.00 %

Rate of Return - Fire and Police Pension System

For the year ended March 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (7.79) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Reserves - Fire and Police Pension System

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, the employee's balance is returned to him or her; 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.

March 31, 2020

Note 13 - Defined Benefit Pension Plans (Continued)

The balances of the reserve accounts at March 31, 2020 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 101,785,473	\$ 101,785,473
Employee reserve	13,384,475	13,384,475
Employer reserve	-	(10,788,069)
Total	\$ 115,169,948	\$ 104,381,879

Net Pension Liability - MERS Plan

The net pension liability reported at March 31, 2020 was determined using a measure of the total pension liability and the pension net position as of December 31, 2019. The December 31, 2019 total pension liability was determined by an actuarial valuation performed as of that date.

Net Pension Liability - Fire and Police Pension System

The Township has chosen to use March 31, 2020 as its measurement date for the net pension liability. The March 31, 2020 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of March 31, 2020. The March 31, 2020 total pension liability was determined by an actuarial valuation performed as of that date.

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

Municipal Employees' Retirement System of Michigan

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2018	\$ 76,278,264	\$ 43,778,677	\$ 32,499,587
Changes for the year:			
Service cost	1,142,515	-	1,142,515
Interest	5,934,244	-	5,934,244
Differences between expected and actual experience	(236,399)	-	(236,399)
Changes in assumptions	2,276,547	-	2,276,547
Contributions - Employer	-	5,365,446	(5,365,446)
Contributions - Employee	-	572,353	(572,353)
Net investment loss	-	6,023,665	(6,023,665)
Benefit payments, including refunds	(5,342,992)	(5,342,992)	-
Administrative expenses	-	(103,807)	103,807
Net changes	3,773,915	6,514,665	(2,740,750)
Balance at December 31, 2019	\$ 80,052,179	\$ 50,293,342	\$ 29,758,837

March 31, 2020

Note 13 - Defined Benefit Pension Plans (Continued)

Assumption Changes

During the year, the discount rate was decreased from 8.00 to 7.60 percent. The 7.60 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. The investment rate of return was increased from 7.00 percent to 7.60, net of investment expenses. The assumption for salary increases was decreased from 3.75 percent to 3.00 percent, including inflation.

Changes in the net pension liability during the measurement year for the Fire and Police Pension System were as follows:

Charter Township of Clinton Fire and Police Pension System

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at April 1, 2019	\$ 210,572,051	\$ 117,653,064	\$ 92,918,987
Changes for the year:			
Service cost	3,802,917	-	3,802,917
Interest	11,754,596	-	11,754,596
Differences between expected and actual experience	(178,415)	-	(178,415)
Changes in assumptions	(32,280,149)	-	(32,280,149)
Contributions - Employer	-	5,158,221	(5,158,221)
Contributions - Employee	-	1,291,476	(1,291,476)
Net investment loss	-	(9,230,275)	9,230,275
Benefit payments, including refunds	(10,322,831)	(10,322,831)	-
Administrative expenses	-	(167,767)	167,767
Miscellaneous other charges	-	(8)	8
Net changes	(27,223,882)	(13,271,184)	(13,952,698)
Balance at March 31, 2020	\$ 183,348,169	\$ 104,381,880	\$ 78,966,289

Assumption Changes

During the year, the discount rate was increased from 5.67 percent to 7.06 percent. The 7.06 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.

Pension Expense and Assumption Changes Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - MERS Plan

For the year ended March 31, 2020, the Township recognized pension expense of \$4,354,972.

March 31, 2020

Note 13 - Defined Benefit Pension Plans (Continued)

At March 31, 2020, 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	\$ 28,025	\$ 196,957
Changes in assumptions	1,517,698	-
Net difference between projected and actual earnings on pension plan investments	-	48,543
Employer contributions to the plan subsequent to the measurement date	1,505,921	-
Total	\$ 3,051,644	\$ 245,500

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the MERS plan will be recognized in pension expense (exclusive of employer contributions to the plan made subsequent to the measurement date of \$1,505,921, which will impact the net pension liability in fiscal year 2021, rather than pension expense) as follows:

Years Ending December 31	Amount
2020	\$ 469,518
2021	802,110
2022	550,954
2023	(522,359)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Fire and Police Pension System

For the year ended March 31, 2020, the Township recognized pension expense of \$14,672,375. At March 31, 2020, 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	\$ 3,218,746	\$ 544,538
Changes in assumptions	20,669,284	28,814,390
Net difference between projected and actual earnings on pension plan investments	18,506,674	-
Total	\$ 42,394,704	\$ 29,358,928

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the fire and police pension system will be recognized in pension expense as follows:

Years Ending March 31	Amount
2021	\$ 6,907,788
2022	5,734,005
2023	5,864,587
2024	382,579
2025	(5,321,076)

Note 13 - Defined Benefit Pension Plans (Continued)

Actuarial Assumptions - MERS Plan and Fire and Police Pension System

The total pension liability in the December 31, 2019 and March 31, 2020 actuarial valuations for the MERS plan and the Fire and Police Pension System, respectively, were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Municipal Employees' Retirement System of Michigan	Charter Township of Clinton Fire and Police Pension System
Inflation	2.50%	2.50%
Salary increases (including inflation)	3.00%	4.20% - 8.00%
Investment rate of return (net of investment expenses)	7.60%	7.25%

Mortality Table - MERS

The mortality table used to project the mortality experience of nondisabled 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, 2019 valuation were based on the results of an actuarial experience study for the period from 2009 through 2013. Possible future mortality improvements are reflected in the mortality assumption. The mortality assumptions include a 10 percent margin for future mortality improvements, relative to the actual mortality experience seen in the 2009-2013 Experience Study.

Mortality Table - Fire and Police Pension System

Mortality rates were based on the RP-2014 Combined Healthy Mortality Table with generational improvement scale MP-2017.

Discount Rate - MERS

The discount rate used to measure the total pension liability was 7.60 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.

Discount Rate - Fire and Police Pension System

The discount rate used to measure the total pension liability was 7.06 percent at the March 31, 2020 measurement date, which is an increase from the discount rate used at the March 31, 2019 measurement date of 5.67 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.

Note 13 - Defined Benefit Pension Plans (Continued)

Projected Cash Flows - MERS Plan

Based on those assumptions, the MERS 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, 2019, the measurement date, for each major asset class are summarized in the following table:

Municipal Employees' Retirement System of Michigan

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	6.15 %
Global fixed income	20.00	1.26
Private investments	20.00	6.56

Projected Cash Flows - Fire and Police Pension System

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 2.48 percent. The source of that bond rate was the Fidelity Municipal GO AA Bond Index. The long-term expected rate of return was applied to projected benefit payments from March 31, 2021 through March 31, 2088, 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, 2020 for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Charter Township of Clinton Fire and Police Pension System

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	40.00 %	5.20 %
International equity	15.00	4.50
Cash	5.00	0.20
Real estate	10.00	4.20
Fixed income	15.00	1.90
Hedge funds and alternative investments	15.00	4.50

Note 13 - Defined Benefit Pension Plans (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - MERS Plan

The following presents the net pension liability of the Township, calculated using the discount rate of 7.60 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 or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.60%)	Current Discount Rate (7.60%)	1 Percentage Point Increase (8.60%)
Net pension liability of the Municipal Employees' Retirement System of Michigan	\$ 37,653,705	\$ 29,758,837	\$ 22,994,287

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - Fire and Police Pension System

The following presents the net pension liability of the Township, calculated using the discount rate of 7.06 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 (6.06 percent) or 1 percentage point higher (8.06 percent) than the current rate:

	1 Percentage Point Decrease (6.06%)	Current Discount Rate (7.06%)	1 Percentage Point Increase (8.06%)
Net pension liability of the Charter Township of Clinton Fire and Police Pension System	\$ 101,271,919	\$ 78,966,289	\$ 60,509,387

Pension Plan Fiduciary Net Position - MERS Plan

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 of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have 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.

Deferred Retirement Option Program (DROP) - Fire and Police Pension System

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, 2020, the plan has \$2,788,216 accumulated in DROP accounts.

Note 14 - Other Postemployment Benefit Plan

Plan Description

The township board administers the Clinton Township Post-Retirement Health Benefits Plan (the "Plan"), a single-employer defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time general and public safety employees of the Township.

Management of the Plan is vested with the township board of trustees.

The financial statements of the OPEB plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Note 14 - Other Postemployment Benefit Plan (Continued)

Benefits Provided

The Plan provides health care benefits for retirees and their dependents. Benefits are provided through a third-party insurer. Employees must meet the minimum age and service requirements for regular retirement. An employee who retires with less than 25 years of service may receive health coverage partially paid by the employer. There is no service requirement for public safety employees (except dispatchers) for a duty-disability retirement upon termination of employment.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms as of September 1, 2018, the date of the most recent actuarial valuation:

Date of member count	September 1, 2018
Inactive plan members or beneficiaries currently receiving benefits	371
Active plan members	<u>240</u>
Total plan members	<u><u>611</u></u>

Contributions

The authority to establish and amend the contribution requirements of the Township and plan members is vested with the board of trustees. The board establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended March 31, 2020, the Township made plan contributions of \$8,427,166, of which \$4,083,108 was deemed to be actuarially required. Plan members are required to contribute at various rates, as determined by applicable collective bargaining agreements.

Net OPEB Liability

The Township has chosen to use the March 31 measurement date as its measurement date for the net OPEB liability. The March 31, 2020 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the March 31, 2020 measurement date. The March 31, 2020 measurement date total OPEB liability was determined by rolling forward from an actuarial valuation performed as of September 1, 2018.

Note 14 - Other Postemployment Benefit Plan (Continued)

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at April 1, 2019	\$ 114,929,478	\$ 55,194,241	\$ 59,735,237
Changes for the year:			
Service cost	2,249,355	-	2,249,355
Interest	8,186,031	-	8,186,031
Differences between expected and actual experience	(5,815,966)	-	(5,815,966)
Changes in assumptions	2,570,014	-	2,570,014
Contributions - Employer	-	8,427,166	(8,427,166)
Contributions - Employee	-	407,443	(407,443)
Net investment income	-	(3,190,148)	3,190,148
Benefit payments, including refunds	(4,718,559)	(4,718,559)	-
Administrative expenses	-	(90,106)	90,106
Net changes	2,470,875	835,796	1,635,079
Balance at March 31, 2020	\$ 117,400,353	\$ 56,030,037	\$ 61,370,316

The Plan's fiduciary net position represents 47.7 percent of the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended March 31, 2020, the Township recognized OPEB expense of \$5,600,032.

At March 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 8,602,423
Changes in assumptions	2,726,748	-
Net difference between projected and actual earnings on OPEB plan investments	7,804,142	-
Total	\$ 10,530,890	\$ 8,602,423

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

Years Ending March 31	Amount
2021	\$ (399,098)
2022	(399,098)
2023	1,264,850
2024	1,461,813

Note 14 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability in the March 31, 2020 actuarial report was determined using an inflation assumption of 2.5 percent; no assumed salary increases (including inflation); an investment rate of return (net of investment expenses) of 7.5 percent; a health care cost trend rate of 6.0 percent for 2020, decreasing 0.1 percent per year to an ultimate rate of 5.0 percent; and using the RP-2014 mortality tables with the MP-2017 improvement scale. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.03 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.

Based on those assumptions, the OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees through the year 2112. Therefore, the discount rate was determined by blending the long-term expected rate of return on OPEB plan investments, 7.03 percent, with the current yield for 20-year, tax-exempt general obligation municipal bonds (Fidelity Municipal GO AA Bond Index), which was 2.48 percent at March 31, 2019.

Investment Rate of Return

The long-term expected rate of return on OPEB 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 OPEB 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 adding expected inflation. Best estimates of arithmetic real rates of return as of the March 31, 2020 measurement date for each major asset class included in the OPEB 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	5.20 %
International equity	4.90
Core fixed income	1.90
Real estate	4.20
Alternatives	4.50
Real estate	4.20

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Township, calculated using the discount rate of 7.03 percent, as well as what the Township's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.03%)	Current Discount Rate (7.03%)	1 Percentage Point Increase (8.03%)
Net OPEB liability of the Clinton Township Post-Retirement Health Benefits Plan	\$ 78,610,894	\$ 61,370,316	\$ 47,499,982

March 31, 2020

Note 14 - Other Postemployment Benefit Plan (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the Township, calculated using the health care cost trend rate of 6.0 - 5.0 percent, as well as what the Township's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.0% - 4.0%)	Current Health Care Cost Trend Rate (6.0% - 5.0%)	1 Percentage Point Increase (7.0% - 6.0%)
Net OPEB liability of the Clinton Township Post-Retirement Health Benefits Plan	\$ 45,631,953	\$ 61,370,316	\$ 81,326,451

Assumption Changes

During the year, the discount rate was decreased from 7.20 percent to 7.03 percent. The 7.03 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.

Investment Policy

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the OPEB board by a majority vote of its members. It is the policy of the OPEB 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 OPEB 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 OPEB board's adopted asset allocation policy as of March 31, 2020:

Clinton Township Post-Retirement Health Benefits Plan

Asset Class	Target Allocation
Domestic equity	45.00 %
International equity	15.00
Core fixed income	25.00
Real estate	10.00
Alternatives	5.00
Cash or cash equivalents	100.00 %

Rate of Return

For the year ended March 31, 2020, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 5.36 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Defined Contribution Plan

The various collective bargaining agreements require employee contributions ranging from 2 percent to 4 percent of base compensation to the Plan. 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, 2020, the Township made contributions of \$260,482, and the plan members contributed \$133,192 to the Plan.

March 31, 2020

Note 15 - 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 13 and 14 for a discussion of deferred inflows and outflows of resources related to pensions and other postemployment benefits.

At the end of the current fiscal year, the remaining components of deferred inflows of resources, deferred outflows of resources, and unearned revenue are as follows:

	Governmental Funds			Water and Sewer Fund	
	Deferred Inflows of Resources	Unearned Revenue	Total	Deferred Inflows of Resources	Deferred Outflows of Resources
State-shared revenue	\$ 649,704	\$ -	\$ 649,704	\$ -	\$ -
Unavailable revenue	2,575,780	-	2,575,780	-	-
Deferred charge on refunding	-	-	-	232,594	153,591
Other grant revenue	-	14,529	14,529	-	-
Total	\$ 3,225,484	\$ 14,529	\$ 3,240,013	\$ 232,594	\$ 153,591

Note 16 - Tax Abatements

The Township currently has several businesses that are receiving an Industrial Facilities Tax (IFT) exemption, which encourages local businesses to construct new industrial facilities or rehabilitate historical facilities. This exemption applies to both real and personal property taxes. These tax abatements are authorized by Public Act 57 of 2018. In order to receive a tax abatement, a property owner or lessee must have a business that qualifies as a manufacturing operation and must have a new industrial facility that is defined within Act 57 as industrial property. An application must be completed and submitted to the Township and approval granted by the township board at a formal public hearing. Commitments are made by the taxpayer regarding the amount of investment and the number of jobs created as a result of the tax abatement. IFT abatements use a reduced (specific tax) millage rate of 50 percent of the normal millage rate that is applied to a taxable value that is calculated in the same manner as all of the properties that are contained on the regular (ad valorem) assessment roll. Abated taxes may be recaptured by the Township if the taxpayer chooses to relocate without township permission prior to termination of the abatement. The amount of tax foregone as a result of this abatement in 2019 was \$60,339.

There are no significant abatements made by other governments that reduce the Township's tax revenue.

To encourage the development of senior housing, the Township has entered into individual agreements with certain government-subsidized senior housing facilities where, upon meeting certain development requirements, the taxable value of these facilities is frozen at an agreed-upon amount. In 2019, these agreements resulted in foregone tax revenue of \$16,000.

March 31, 2020

Note 17 - Fund Balance Constraints

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

Fund Balances	General Capital Projects Fund
Restricted - Transportation	\$ 100,000
Assigned:	
Romeo Plank loan principal and interest	35,313
Capital projects	<u>638,531</u>
Total	<u>\$ 773,844</u>

Note 18 - Subsequent Events

The United States and the State of Michigan declared a state of emergency in early March 2020 due to the global coronavirus disease 2019 (COVID-19) pandemic. Any effects from COVID-19 present at March 31, 2020 have been incorporated in the Township's statements; however, COVID-19 will have a financial impact on subsequent periods of the Township. The impact on the Township's future operating costs and revenue and any recovery from emergency funding, whether federal, state, or local, cannot be estimated.

Required Supplemental Information

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended March 31, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,597,200	\$ 2,528,000	\$ 2,478,964	\$ (49,036)
Intergovernmental:				
Federal grants	17,400	19,937	25,751	5,814
State-shared revenue and grants	9,004,832	9,177,843	9,540,052	362,209
Licenses and permits	1,584,000	1,524,000	1,435,607	(88,393)
Interest	297,000	320,000	331,755	11,755
Other revenue	2,661,169	2,786,936	4,194,463	1,407,527
Total revenue	16,161,601	16,356,716	18,006,592	1,649,876
Expenditures				
Current:				
General government	6,174,050	5,817,297	5,357,432	459,865
Public safety	2,047,722	2,113,721	2,067,497	46,224
Public works	5,684,943	5,576,103	5,333,605	242,498
Community and economic development	819,427	848,255	790,521	57,734
Recreation and culture	4,766,076	3,675,200	3,610,172	65,028
Debt service	153,924	153,924	153,924	-
Total expenditures	19,646,142	18,184,500	17,313,151	871,349
Excess of Revenue (Under) Over Expenditures	(3,484,541)	(1,827,784)	693,441	2,521,225
Other Financing (Uses) Sources				
Transfers out	(3,548,432)	(1,340,000)	(1,340,000)	-
Proceeds from sale of capital assets	75,000	200,500	216,570	16,070
Total other financing uses	(3,473,432)	(1,139,500)	(1,123,430)	16,070
Net Change in Fund Balance	(6,957,973)	(2,967,284)	(429,989)	2,537,295
Fund Balance - Beginning of year	22,971,291	22,971,291	22,971,291	-
Fund Balance - End of year	\$ 16,013,318	\$ 20,004,007	\$ 22,541,302	\$ 2,537,295

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Fund

Year Ended March 31, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 17,805,700	\$ 17,930,100	\$ 17,930,493	\$ 393
Intergovernmental:				
Federal grants	-	5,000	5,250	250
State-shared revenue grants	75,000	129,000	129,424	424
Licenses and permits	-	12,000	10,875	(1,125)
Interest	87,500	160,000	188,237	28,237
Other revenue	17,100	18,856	31,020	12,164
Total revenue	17,985,300	18,254,956	18,295,299	40,343
Expenditures				
Current - Public safety	17,082,005	17,191,454	16,755,847	435,607
Debt service:				
Principal	670,000	670,000	670,000	-
Interest on long-term debt	67,963	67,963	67,963	-
Total expenditures	17,819,968	17,929,417	17,493,810	435,607
Excess of Revenue Over Expenditures	165,332	325,539	801,489	475,950
Other Financing Sources - Proceeds from sale of capital assets	5,000	5,000	8,325	3,325
Net Change in Fund Balance	170,332	330,539	809,814	479,275
Fund Balance - Beginning of year	19,269,212	19,269,212	19,269,212	-
Fund Balance - End of year	<u>\$ 19,439,544</u>	<u>\$ 19,599,751</u>	<u>\$ 20,079,026</u>	<u>\$ 479,275</u>

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds (Continued) Police Fund

Year Ended March 31, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 21,393,850	\$ 21,572,950	\$ 21,563,642	\$ (9,308)
Intergovernmental:				
Federal sources	59,700	98,300	101,170	2,870
State-shared revenue and grants	218,500	237,800	236,907	(893)
Interest	275,000	500,000	373,215	(126,785)
Other revenue	491,050	507,150	459,163	(47,987)
Total revenue	22,438,100	22,916,200	22,734,097	(182,103)
Expenditures - Current - Public safety	22,027,186	22,156,089	21,650,631	505,458
Excess of Revenue Over Expenditures	410,914	760,111	1,083,466	323,355
Other Financing Sources - Proceeds from sale of capital assets	30,000	6,300	12,495	6,195
Net Change in Fund Balance	440,914	766,411	1,095,961	329,550
Fund Balance - Beginning of year	32,810,351	32,810,351	32,810,351	-
Fund Balance - End of year	\$ 33,251,265	\$ 33,576,762	\$ 33,906,312	\$ 329,550

Charter Township of Clinton

Required Supplemental Information Schedule of Changes in the Net Pension Liability and Related Ratios - MERS

	Last Five Plan Years*				
	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 1,142,515	\$ 1,107,129	\$ 1,100,601	\$ 1,107,131	\$ 1,064,743
Interest	5,934,244	5,795,488	5,668,117	5,559,102	5,296,358
Differences between expected and actual experience	(236,399)	56,050	(157,431)	(444,068)	640,069
Changes in assumptions	2,276,547	-	-	-	2,964,550
Benefit payments, including refunds	(5,342,992)	(5,140,873)	(4,903,935)	(4,808,520)	(4,584,320)
Net Change in Total Pension Liability	3,773,915	1,817,794	1,707,352	1,413,645	5,381,400
Total Pension Liability - Beginning of year	76,278,264	74,460,470	72,753,118	71,339,473	65,958,073
Total Pension Liability - End of year	\$ 80,052,179	\$ 76,278,264	\$ 74,460,470	\$ 72,753,118	\$ 71,339,473
Plan Fiduciary Net Position					
Contributions - Employer	\$ 5,365,446	\$ 4,372,958	\$ 2,352,892	\$ 1,959,949	\$ 1,872,652
Contributions - Member	572,353	554,290	548,583	536,804	528,758
Net investment income (loss)	6,023,665	(1,820,867)	5,528,069	4,501,328	(630,111)
Administrative expenses	(103,807)	(89,082)	(87,642)	(88,955)	(93,273)
Benefit payments, including refunds	(5,342,992)	(5,140,873)	(4,903,935)	(4,808,520)	(4,584,320)
Net Change in Plan Fiduciary Net Position	6,514,665	(2,123,574)	3,437,967	2,100,606	(2,906,294)
Plan Fiduciary Net Position - Beginning of year	43,778,677	45,902,251	42,464,284	40,363,678	43,269,972
Plan Fiduciary Net Position - End of year	\$ 50,293,342	\$ 43,778,677	\$ 45,902,251	\$ 42,464,284	\$ 40,363,678
Township's Net Pension Liability - Ending	\$ 29,758,837	\$ 32,499,587	\$ 28,558,219	\$ 30,288,834	\$ 30,975,795
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	62.83 %	57.39 %	61.65 %	58.37 %	56.58 %
Covered Employee Payroll	\$ 9,466,347	\$ 9,148,531	\$ 8,977,328	\$ 8,937,780	\$ 8,691,747
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	314.36 %	355.24 %	318.11 %	338.89 %	356.38 %

*Historical information prior to 2015 is not available. Additional years will be added until 10 years of information is achieved.

Charter Township of Clinton

Required Supplemental Information

Schedule of Changes in the Net Pension Liability and Related Ratios - Fire and Police Pension System

	Last Six Fiscal Years*					
	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 3,802,917	\$ 4,248,144	\$ 3,866,329	\$ 4,207,656	\$ 3,708,595	\$ 3,829,279
Interest	11,754,596	11,435,158	10,818,661	10,450,777	9,790,487	9,639,099
Changes in benefit terms	-	-	891,463	-	-	-
Differences between expected and actual experience	(178,415)	3,683,475	1,526,191	(1,081,729)	(55,887)	(2,412,055)
Changes in assumptions	(32,280,149)	9,055,199	23,915,003	(5,146,191)	12,963,381	-
Benefit payments, including refunds	(10,322,831)	(10,727,271)	(10,142,949)	(9,224,043)	(8,533,658)	(9,051,073)
Net Change in Total Pension Liability	(27,223,882)	17,694,705	30,874,698	(793,530)	17,872,918	2,005,250
Total Pension Liability - Beginning of year	210,572,051	192,877,346	162,002,648	162,796,178	144,923,260	142,918,010
Total Pension Liability - End of year	\$ 183,348,169	\$ 210,572,051	\$ 192,877,346	\$ 162,002,648	\$ 162,796,178	\$ 144,923,260
Plan Fiduciary Net Position						
Contributions - Employer	\$ 5,158,221	\$ 4,725,185	\$ 4,493,653	\$ 3,611,452	\$ 3,595,004	\$ 3,427,893
Contributions - Member	1,291,476	1,279,615	1,198,076	967,784	980,971	5,264,133
Net investment (loss) income	(9,230,275)	1,668,474	8,279,085	8,844,088	(2,350,175)	995,827
Administrative expenses	(167,767)	(162,111)	(161,847)	(139,966)	(205,323)	(88,708)
Benefit payments, including refunds	(10,322,831)	(10,727,271)	(10,142,949)	(9,224,043)	(8,533,658)	(9,051,073)
Adjustments to DROP plan change of accounting	-	-	-	-	-	2,611,725
Miscellaneous other charges	(8)	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	(13,271,184)	(3,216,108)	3,666,018	4,059,315	(6,513,181)	3,159,797
Plan Fiduciary Net Position - Beginning of year	117,653,064	120,869,172	117,203,154	113,143,839	119,657,021	116,497,224
Plan Fiduciary Net Position - End of year	\$ 104,381,880	\$ 117,653,064	\$ 120,869,172	\$ 117,203,154	\$ 113,143,840	\$ 119,657,021
Township's Net Pension Liability - Ending	\$ 78,966,289	\$ 92,918,987	\$ 72,008,174	\$ 44,799,494	\$ 49,652,338	\$ 25,266,239
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	56.93 %	55.87 %	62.67 %	72.35 %	69.50 %	82.57 %
Covered Employee Payroll	\$ 15,674,700	\$ 15,148,100	\$ 14,502,100	\$ 13,842,945	\$ 14,176,791	\$ 13,004,900
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	503.78 %	613.40 %	496.54 %	323.63 %	350.24 %	194.28 %

*Historical information prior to 2015 is not available. Additional years will be added until 10 years of information is achieved.

Charter Township of Clinton

Required Supplemental Information Schedule of Investment Returns - Fire and Police Pension System

	Last Six Fiscal Years Years Ended March 31					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return - Net of investment expense	(7.79)%	1.46 %	7.13 %	8.06 %	(2.00)%	4.70 %

Charter Township of Clinton

Required Supplemental Information Schedule of Changes in the Net OPEB Liability and Related Ratios

	Years Ended March 31*		
	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 2,249,355	\$ 2,211,226	\$ 2,003,012
Interest	8,186,031	8,586,624	8,318,373
Differences between expected and actual experience	(5,815,966)	(8,428,379)	(4,974,712)
Changes in assumptions	2,570,014	1,626,437	-
Benefit payments, including refunds	(4,718,559)	(4,898,265)	(4,615,528)
Net Change in Total OPEB Liability	2,470,875	(902,357)	731,145
Total OPEB Liability - Beginning of year	114,929,478	115,831,835	115,100,690
Total OPEB Liability - End of year	\$ 117,400,353	\$ 114,929,478	\$ 115,831,835
Plan Fiduciary Net Position			
Contributions - Employer	\$ 8,427,166	\$ 10,485,242	\$ 10,469,278
Contributions - Active and inactive plan members not yet receiving benefits	407,443	378,787	345,602
Net investment (loss) income	(3,190,148)	598,199	2,934,144
Administrative expenses	(90,106)	(47,189)	(9,682)
Benefit payments, including refunds	(4,718,559)	(4,898,265)	(4,314,251)
Other	-	348,676	-
Net Change in Plan Fiduciary Net Position	835,796	6,865,450	9,425,091
Plan Fiduciary Net Position - Beginning of year	55,194,241	48,328,791	38,903,700
Plan Fiduciary Net Position - End of year	\$ 56,030,037	\$ 55,194,241	\$ 48,328,791
Net OPEB Liability - Ending	\$ 61,370,316	\$ 59,735,237	\$ 67,503,044
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	47.73 %	48.02 %	41.72 %
Covered Payroll	\$ 16,673,002	\$ 17,026,666	\$ 16,950,856
Net OPEB Liability as a Percentage of Covered Payroll	368.08 %	350.83 %	398.23 %

*Historical information prior to 2018 is not available. Additional years will be added until 10 years of information is achieved.

Charter Township of Clinton

**Required Supplemental Information
Schedule of OPEB Investment Returns**

Years Ended March 31*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return - Net of investment expense	(5.36)%	1.20 %	6.46 %

*Historical information prior to 2018 is not available. Additional years will be added until 10 years of information is achieved.

March 31, 2020

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. 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, 2020 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

During the year, the Township did not incur any expenditures that were in excess of amounts budgeted.

Other Supplemental Information

Charter Township of Clinton

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds**

March 31, 2020

	Nonmajor Special Revenue Funds					Nonmajor Capital Project Fund		Total Nonmajor Governmental Funds
	Drainage	Community Development Block Grant	Drug Forfeiture	Street Lighting	DEA Task Force	Total Special Revenue Funds	General Capital Projects	
Assets								
Cash and investments	\$ 310,430	\$ -	\$ 213,975	\$ 434,105	\$ 147,534	\$ 1,106,044	\$ 775,150	\$ 1,881,194
Receivables - Due from other governmental units	1,464	63,729	-	28,433	-	93,626	2,340	95,966
Total assets	\$ 311,894	\$ 63,729	\$ 213,975	\$ 462,538	\$ 147,534	\$ 1,199,670	\$ 777,490	\$ 1,977,160
Liabilities								
Accounts payable	\$ 5,395	\$ 52,247	\$ 615	\$ 40,106	\$ -	\$ 98,363	\$ 3,646	\$ 102,009
Due to other funds	-	11,482	-	-	-	11,482	-	11,482
Accrued liabilities and other	1,500	-	-	-	-	1,500	-	1,500
Total liabilities	6,895	63,729	615	40,106	-	111,345	3,646	114,991
Fund Balances								
Restricted:								
Drainage	304,999	-	-	-	-	304,999	-	304,999
Police	-	-	-	-	147,534	147,534	-	147,534
Drug forfeiture	-	-	213,360	-	-	213,360	-	213,360
Street lighting	-	-	-	422,432	-	422,432	-	422,432
Transportation	-	-	-	-	-	-	100,000	100,000
Assigned - Capital projects	-	-	-	-	-	-	673,844	673,844
Total fund balances	304,999	-	213,360	422,432	147,534	1,088,325	773,844	1,862,169
Total liabilities and fund balances	\$ 311,894	\$ 63,729	\$ 213,975	\$ 462,538	\$ 147,534	\$ 1,199,670	\$ 777,490	\$ 1,977,160

Charter Township of Clinton

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

Year Ended March 31, 2020

	Nonmajor Special Revenue Funds					Total Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
	Drainage	Community Development Block Grant	Drug Forfeiture	Street Lighting	DEA Task Force		General Capital Projects	
Revenue								
Property taxes	\$ -	\$ -	\$ -	\$ 462,888	\$ -	\$ 462,888	\$ -	\$ 462,888
Special assessments	-	-	-	-	-	-	54,944	54,944
Intergovernmental	-	740,861	-	-	-	740,861	-	740,861
Fines and forfeitures	-	-	104,298	-	46,320	150,618	-	150,618
Interest	5,459	-	-	3,976	1,560	10,995	-	10,995
Other revenue	71,023	-	-	-	-	71,023	6,042	77,065
Total revenue	76,482	740,861	104,298	466,864	47,880	1,436,385	60,986	1,497,371
Expenditures								
Current:								
General government	-	-	-	-	-	-	88,158	88,158
Public safety	-	-	134,648	-	-	134,648	-	134,648
Public works	185,177	-	-	503,797	-	688,974	1,101,540	1,790,514
Community and economic development	-	778,365	-	-	-	778,365	-	778,365
Debt service - Principal	-	-	-	-	-	-	35,307	35,307
Total expenditures	185,177	778,365	134,648	503,797	-	1,601,987	1,225,005	2,826,992
Excess of Revenue (Under) Over Expenditures	(108,695)	(37,504)	(30,350)	(36,933)	47,880	(165,602)	(1,164,019)	(1,329,621)
Other Financing Sources								
Transfers in	-	37,504	-	-	-	37,504	1,340,000	1,377,504
Proceeds from sale of capital assets	-	-	1,655	-	-	1,655	-	1,655
Total	-	37,504	1,655	-	-	39,159	1,340,000	1,379,159
Net Change in Fund Balances	(108,695)	-	(28,695)	(36,933)	47,880	(126,443)	175,981	49,538
Fund Balances - Beginning of year	413,694	-	242,055	459,365	99,654	1,214,768	597,863	1,812,631
Fund Balances - End of year	\$ 304,999	\$ -	\$ 213,360	\$ 422,432	\$ 147,534	\$ 1,088,325	\$ 773,844	\$ 1,862,169

Charter Township of Clinton

**Other Supplemental Information
Combining Statement of Net Position
Nonmajor Proprietary Funds**

March 31, 2020

	Sanitation Fund	Special Assessment Fund	Total Nonmajor Proprietary Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 125,556	\$ 2,077,566	\$ 2,203,122
Receivables:			
Special assessments receivable - Current	-	230,273	230,273
Sales to customers on account	863,118	-	863,118
Due from other governmental units	-	18,185	18,185
Total current assets	988,674	2,326,024	3,314,698
Noncurrent assets:			
Investment in joint ventures	83,115	-	83,115
Capital assets - Net	35,946	-	35,946
Special assessment - Net of current portion	-	1,407,363	1,407,363
Total noncurrent assets	119,061	1,407,363	1,526,424
Total assets	1,107,735	3,733,387	4,841,122
Deferred Outflows of Resources - Deferred pension costs	42,703	-	42,703
Liabilities			
Current liabilities:			
Accounts payable	308,099	18,164	326,263
Due to other funds	-	1,462,560	1,462,560
Total current liabilities	308,099	1,480,724	1,788,823
Noncurrent liabilities - Net pension liability	416,441	-	416,441
Total liabilities	724,540	1,480,724	2,205,264
Deferred Inflows of Resources - Deferred pension cost reductions	3,436	-	3,436
Net Position			
Net investment in capital assets	35,946	-	35,946
Restricted - Capital projects	-	2,252,663	2,252,663
Unrestricted	386,516	-	386,516
Total net position	\$ 422,462	\$ 2,252,663	\$ 2,675,125

Charter Township of Clinton

Other Supplemental Information
Combining Statement of Revenue, Expenses, and Changes in Net Position
Nonmajor Proprietary Funds

Year Ended March 31, 2020

	Sanitation Fund	Special Assessment Fund	Total Nonmajor Proprietary Funds
Operating Revenue			
Charges for sales and services	\$ 4,093,621	\$ 630,700	\$ 4,724,321
Other	250	-	250
Total operating revenue	4,093,871	630,700	4,724,571
Operating Expenses			
Operation and maintenance	4,359,375	712,072	5,071,447
Depreciation	20,903	-	20,903
Total operating expenses	4,380,278	712,072	5,092,350
Operating Loss	(286,407)	(81,372)	(367,779)
Nonoperating Revenue - Investment income - Investment interest and FMV changes	149	84,142	84,291
Change in Net Position	(286,258)	2,770	(283,488)
Net Position - Beginning of year	708,720	2,249,893	2,958,613
Net Position - End of year	<u>\$ 422,462</u>	<u>\$ 2,252,663</u>	<u>\$ 2,675,125</u>

Charter Township of Clinton

Other Supplemental Information Combining Statement of Cash Flows Nonmajor Proprietary Funds

Year Ended March 31, 2020

	Sanitation Fund	Special Assessment Fund	Total Nonmajor Proprietary Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 4,121,695	\$ 398,489	\$ 4,520,184
Internal activity - Payments from other funds	-	693,911	693,911
Payments to suppliers	(4,040,941)	(693,908)	(4,734,849)
Payments to employees	(300,011)	-	(300,011)
Other payments	-	556	556
	<u>-</u>	<u>556</u>	<u>556</u>
Net cash and cash equivalents (used in) provided by operating activities	(219,257)	399,048	179,791
Cash Flows Provided by Investing Activities - Interest received on investments	149	84,142	84,291
	<u>149</u>	<u>84,142</u>	<u>84,291</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(219,108)	483,190	264,082
Cash and Cash Equivalents - Beginning of year	344,664	1,594,376	1,939,040
	<u>344,664</u>	<u>1,594,376</u>	<u>1,939,040</u>
Cash and Cash Equivalents - End of year	<u>\$ 125,556</u>	<u>\$ 2,077,566</u>	<u>\$ 2,203,122</u>
Classification of Cash and Cash Equivalents - Cash and investments per statement of net position	<u>\$ 125,556</u>	<u>\$ 2,077,566</u>	<u>\$ 2,203,122</u>
Reconciliation of Operating Loss Net Cash from Operating Activities			
Operating loss	\$ (286,407)	\$ (81,372)	\$ (367,779)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	20,903	-	20,903
Changes in assets and liabilities:			
Receivables	27,824	(231,655)	(203,831)
Due to other funds	-	693,911	693,911
Investments in joint ventures	26,138	-	26,138
Net pension or OPEB asset	(10,159)	-	(10,159)
Accounts payable	2,444	18,164	20,608
	<u>67,150</u>	<u>480,420</u>	<u>547,570</u>
Total adjustments	67,150	480,420	547,570
Net cash and cash equivalents (used in) provided by operating activities	<u>\$ (219,257)</u>	<u>\$ 399,048</u>	<u>\$ 179,791</u>

**Other Supplemental Information
Combining Statement of Net Position
Fiduciary Funds**

March 31, 2020

	Pension and Other Employee Benefit Trust Funds		
	Fire and Police Pension System	Public Employee Healthcare	Total
Assets			
Investments:			
Bank investment pools and money market funds	\$ 1,027,492	\$ 1,166,247	\$ 2,193,739
Corporate bonds	20,563	-	20,563
Domestic stock	21,698,327	6,907,728	28,606,055
Foreign stock	1,274,042	200,033	1,474,075
Mutual funds	40,275,881	45,355,421	85,631,302
Real estate investment trusts	4,302,523	-	4,302,523
Limited partnerships	32,193,834	3,341,771	35,535,605
Hedge funds	2,831,447	-	2,831,447
Securities lending - Bank investment pools and money market funds	2,175,037	-	2,175,037
Receivables	467	-	467
Prepaid expenses and other assets	873,100	183,753	1,056,853
Total assets	106,672,713	57,154,953	163,827,666
Liabilities			
Benefits payable and other liabilities	84,682	22,606	107,288
Due to other funds	31,115	1,102,309	1,133,424
Accrued liabilities and other - Amounts due to broker under securities lending arrangements	2,175,037	-	2,175,037
Total liabilities	2,290,834	1,124,915	3,415,749
Net Position Restricted for Pension and Other Employee Benefits	\$ 104,381,879	\$ 56,030,038	\$ 160,411,917

Charter Township of Clinton

**Other Supplemental Information
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds**

Year Ended March 31, 2020

	<u>Pension and Other Employee Benefit Trust Funds</u>		
	<u>Fire and Police Pension System</u>	<u>Public Employee Healthcare</u>	<u>Total</u>
Additions			
Investment income (loss):			
Interest and dividends	\$ 2,250,362	\$ 1,088,533	\$ 3,338,895
Net decrease in fair value of investments	(10,655,750)	(4,278,679)	(14,934,429)
Investment-related expenses	(770,316)	-	(770,316)
Net investment loss	(9,175,704)	(3,190,146)	(12,365,850)
Securities lending income - Interest and dividends	1,057	-	1,057
Contributions:			
Employer	5,158,221	8,427,166	13,585,387
Employee	1,291,475	407,443	1,698,918
Total contributions	6,449,696	8,834,609	15,284,305
Total additions - Net	(2,724,951)	5,644,463	2,919,512
Deductions			
Benefit payments and annuity withdrawals	10,322,831	4,718,560	15,041,391
Administrative expenses	223,402	90,108	313,510
Total deductions	10,546,233	4,808,668	15,354,901
Net (Decrease) Increase in Net Position Held in Trust	(13,271,184)	835,795	(12,435,389)
Net Position Restricted for Pension and Other Employee Benefits - Beginning of year	117,653,063	55,194,243	172,847,306
Net Position Restricted for Pension and Other Employee Benefits - End of year	\$ 104,381,879	\$ 56,030,038	\$ 160,411,917

Charter Township of Clinton

**Other Supplemental Information
Statement of Assets and Liabilities
Agency Funds**

March 31, 2020

	<u>Tax Collection</u>	<u>Cash Bond</u>	<u>Trust and Agency</u>	<u>Total Agency Funds</u>
Assets				
Cash and cash equivalents	\$ 207,080	\$ 117,069	\$ 1,112,542	\$ 1,436,691
Receivables	-	50	-	50
Total assets	<u>\$ 207,080</u>	<u>\$ 117,119</u>	<u>\$ 1,112,542</u>	<u>\$ 1,436,741</u>
Liabilities				
Accounts payable	\$ 205,780	\$ -	\$ 12,358	\$ 218,138
Refundable deposits, bonds, etc.	1,300	117,119	1,100,184	1,218,603
Total liabilities	<u>\$ 207,080</u>	<u>\$ 117,119</u>	<u>\$ 1,112,542</u>	<u>\$ 1,436,741</u>