

Charter Township of Clinton Macomb County, Michigan

**Financial Report
with Supplemental Information
March 31, 2008**

Charter Township of Clinton

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10-11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12-13
Reconciliation of Fund Balances to the Statement of Net Assets	14
Statement of Revenue, Expenditures, and Changes in Fund Balances	15-16
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Proprietary Funds:	
Statement of Net Assets	18
Statement of Revenue, Expenses, and Changes in Net Assets	19
Statement of Cash Flows	20
Fiduciary Funds:	
Statement of Net Assets	21
Statement of Changes in Net Assets	22
Component Units:	
Statement of Net Assets	23
Statement of Activities	24-25
Notes to Financial Statements	26-54
Required Supplemental Information	55
Budgetary Comparison Schedule - General Fund	56
Budgetary Comparison Schedule - Major Special Revenue Funds	57-58
Pension System Schedule of Funding Progress and Employer Contributions	59
Note to Required Supplemental Information	60

Charter Township of Clinton

Contents (Continued)

Other Supplemental Information	61
Nonmajor Governmental Funds:	
Combining Balance Sheet	62-63
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	64-65
Fiduciary Funds:	
Combining Statement of Net Assets	66-67
Combining Statement of Changes in Net Assets	68



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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Clinton (the "Township") as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Clinton's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Clinton as of March 31, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2008 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

August 21, 2008

Charter Township of Clinton

Management's Discussion and Analysis

Introduction

This discussion and analysis is provided as an overview of the Charter Township of Clinton's (the "Township") financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the financial statements.

Overview of this Annual Report

The basic financial statements section of this report consists of the government-wide financial statements, fund financial statements, and notes to financial statements. The notes section is to be read in conjunction with and is an integral part of each financial statement included within both series.

The first and shorter of this series provides information about the activities of the Charter Township of Clinton on a government-wide basis. There are two statements in this series, namely, a statement of net assets and a statement of activities. These government-wide statements are presented on pages 9-11. These two statements are presented on a full accrual basis which is designed to present a longer-term view of the Township's finances. Unlike the more traditional fund-based financial statements, all activities reflected in these statements reflect the Township's investment in capital assets net of depreciation as an asset, noncurrent liabilities as liabilities, and the current period's depreciation as an expenditure.

The second of these two series is presented on pages 12-25. This series consists of the more traditional fund-based financial statements. It is grouped by governmental funds, proprietary funds, fiduciary funds, and component units. These statements illustrate how the services provided by the Township were financed in the short term. Additionally, these fund financial statements report the Township's operations in more detail than the government-wide financial statements.

Government-wide Financial Statements

In a condensed format, the following table shows the comparison of net assets (in thousands) as of March 31, 2008 and 2007:

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current Assets	\$ 56,249.4	\$ 51,269.1	\$ 20,659.7	\$ 25,181.3	\$ 76,909.1	\$ 76,450.4
Noncurrent Assets						
Restricted assets	578.3	10,797.2	1,538.4	1,531.3	2,116.7	12,328.5
Special assessments	-	-	1,446.6	1,694.1	1,446.6	1,694.1
Capital assets	44,636.7	39,734.3	127,894.1	118,870.9	172,530.8	158,605.2
Total assets	101,464.4	101,800.6	151,538.8	147,277.6	253,003.2	249,078.2

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Liabilities						
Current liabilities	\$ 7,746.5	\$ 11,752.2	\$ 5,618.7	\$ 4,574.8	\$ 13,365.2	\$ 16,327.0
Long-term liabilities	34,189.1	35,495.3	25,955.7	27,978.6	60,144.8	63,473.9
Total liabilities	41,935.6	47,247.5	31,574.4	32,553.4	73,510.0	79,800.9
Net Assets						
Invested in capital assets - Net of related debt	17,849.9	8,252.5	101,567.0	91,580.3	119,416.9	99,832.8
Restricted	32,528.4	38,133.5	2,006.4	1,810.5	34,534.8	39,944.0
Unrestricted	9,150.5	8,167.1	16,391.0	21,333.4	25,541.5	29,500.5
Total net assets	<u>\$ 59,528.8</u>	<u>\$ 54,553.1</u>	<u>\$ 119,964.4</u>	<u>\$ 114,724.2</u>	<u>\$ 179,493.2</u>	<u>\$ 169,277.3</u>

Total net assets related to the Township's governmental activities increased by approximately \$5.03 million. Approximately \$2.5 million of this increase resulted from adopting a budget that allowed a portion of the recently voted 1.5 mill police operating levy to increase that fund's fund balance to levels that would reduce the need to borrow from other funds at certain times during the year. An additional \$1.3 million of this increase resulted from the General Fund not having to subsidize the Police Fund as had been customary. In 2007, the General Fund provided a \$2.3 million subsidy to the Police Fund but, as shown by only a \$1.3 million increase, the General Fund no longer would have had the financial strength to continue such a large subsidy. The remainder of this increase can be attributed toward normal increases necessary to keep fund balances at levels determined necessary for sound financial management.

The following table shows the changes in net assets (in thousands of dollars) during the years ended March 31, 2008 and 2007:

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue						
Program revenue:						
Charges for services	\$ 3,932.5	\$ 4,621.2	\$ 28,193.1	\$ 27,057.3	\$ 32,125.4	\$ 31,678.5
Operating grants and contributions	2,668.7	2,378.3	-	-	2,668.7	2,378.3
Capital grants and contributions	137.8	34.5	-	-	137.8	34.5
General revenue:						
Property taxes	38,960.6	37,451.2	-	-	38,960.6	37,451.2
State-shared revenue	7,882.2	7,899.0	-	-	7,882.2	7,899.0
Interest	1,373.8	1,518.5	1,094.9	1,069.2	2,468.7	2,587.7
Miscellaneous	1,612.2	1,210.6	37.8	158.6	1,649.9	1,369.2
Total revenue	56,567.6	55,113.3	29,325.7	28,285.1	85,893.3	83,398.4

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Program Expenses						
General government	\$ 7,051.7	\$ 5,187.2	\$ -	\$ -	\$ 7,051.7	\$ 5,187.2
Public safety	35,438.1	32,900.9	-	-	35,438.1	32,900.9
Public works	5,556.3	4,406.5	-	-	5,556.3	4,406.5
Recreation and culture	2,075.5	2,071.6	-	-	2,075.5	2,071.6
41-B District Court	-	1,644.9	-	-	-	1,644.9
Interest on long-term debt	1,479.5	1,352.6	-	-	1,479.5	1,352.6
Water and sewer	-	-	18,996.6	19,275.2	18,996.6	19,275.2
Senior housing	-	-	1,446.0	1,432.2	1,446.0	1,432.2
Sanitation	-	-	3,633.7	3,747.7	3,633.7	3,747.7
Special assessments	-	-	-	37.3	-	37.3
Total program expenses	51,601.1	47,563.7	24,076.3	24,492.4	75,677.4	72,056.1
Change in Net Assets - Before transfers	4,966.5	7,549.6	5,249.4	3,792.7	10,215.9	11,342.3
Transfers	9.2	477.6	(9.2)	(477.6)	-	-
Change in Net Assets	4,975.7	8,027.2	5,240.2	3,315.1	10,215.9	11,342.3
Net Assets - Beginning of year	54,553.1	46,525.9	114,724.2	111,409.1	169,277.3	157,935.0
Net Assets - End of year	\$ 59,528.8	\$ 54,553.1	\$ 119,964.4	\$ 114,724.2	\$ 179,493.2	\$ 169,277.3

Property taxes are the primary source of revenue for the governmental activities, providing approximately 69 percent of the total. State-shared revenue provides another 14 percent, user charges and grants provide 7 percent, leaving just 10 percent being provided by all other sources.

State-shared revenue, our second largest source of general government revenue, continued at the reduced levels of recent years. The amount received from the State during the 2008 fiscal year was approximately \$2.3 million less than the Township received in the 2002 fiscal year. Except for using a portion of the recently approved police millage to add five police officers, the Township countered these reductions by leaving vacant the majority of other positions cut from previous budgets and continued to keep nonpersonnel related expenditures at a minimum. The continued sluggishness of the State's economy continues to directly impact revenue-sharing payments. The Township realizes that there are no guarantees that further revenue-sharing cuts will not be made as the State continues to struggle with its own budget difficulties.

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

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

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

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

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

Fund-based Financial Statements

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

Financial and Budgetary Highlights

General Fund - When preparing the 2008 budget and over the course of the year, the Township board and administration continued to look for areas to trim expenditures. Although the originally adopted 2008 General Fund budget added back two positions, the budget still had nine less positions than it had in 2004. Conservative revenue projections, temporarily vacant positions, and carefully controlled spending resulted in favorable budget variances at year end.

Police Fund - In August 2006, the voters approved a 1.5 mill levy for the operation and maintenance of the police department. This levy generated \$4.7 million this year in the Police Fund. This revenue, along with the ongoing five special assessment mills, resulted in a \$2.5 million increase in this fund's fund balance. This increase in fund balance was necessary to allow the Police Fund's cash flow to become more self-sufficient throughout the year, decreasing the likelihood of the Police Fund needing to borrow from other Township funds as the January 1 tax levy day drew near.

The voted 1.5 mill levy was approved for a 20-year period and was first levied on January 1, 2007. This mill is subject to both the Truth in Taxation and Headlee rollbacks. As a result of those rollbacks, the January 1, 2008 levy was reduced to 1.4551.

Fire Fund - The Fire Fund is supported by a 4 mill special assessment operating levy and a voter approved 1 mill operating levy. This mill was approved for a 20-year period and was first levied on January 1, 2003. This mill is subject to both the Truth in Taxation and Headlee rollbacks. As a result of those rollbacks, the January 1, 2008 levy was reduced to .8647.

The Fire Fund ended 2008 by adding \$.7 million to the fund balance. As with the Police Fund, this was necessary to decrease the likelihood of the Fire Fund needing to borrow from other Township funds as the January 1 tax levy day drew near.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

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

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

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

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

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

Although the Sanitation Fund increased net assets by \$31,767, \$33,879 of that increase resulted from an increase in value of the Township's equity in the Grosse Pointes Clinton Authority, a joint venture between Clinton Township, Grosse Pointe City, Grosse Pointe Farms, Grosse Pointe Park, Grosse Pointe Shores, Grosse Pointe Woods, Harper Woods, and Mount Clemens.

Capital Asset and Debt Administration

The Township's investment in capital assets devoted to its governmental activities increased by approximately \$4.9 million during the fiscal year. This increase resulted primarily from the Court building construction charges and completion of a senior citizens building addition.

The Township did not issue any additional bonds during the year. 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. Included in the long-term debt for business-type activities are Water Supply and Sewage Disposal System Revenue Bonds for acquiring and constructing additions, extensions, and improvements to the Township's Water Supply and Sewage Disposal System, and Special Assessment Limited Tax Bonds for the purpose of defraying the cost of public improvements in certain Special Assessment Districts in the Township.

As of March 31, 2008, the Township had approximately \$174.6 million, net of accumulated depreciation, invested in a broad range of capital assets including buildings, vehicles, equipment, and water and sewer lines.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Economic Factors and Future Budgets

As indicated earlier, property taxes and state revenue-sharing comprise 83 percent of Clinton Township's governmental activity revenue. During recent years, governmental activities have struggled to keep a balanced budget since revenues, lead by property taxes and state-shared revenues, could not keep pace with increases in expenditures such as health care, utilities, and gasoline. Looking to the future, there is even more concern.

As indicated earlier, state-shared revenue has been a drag on overall Township revenue, eating up a significant portion of any increases seen in other revenues. Looking toward the future, the Township not only anticipates a continuation of this trend, but also fears a decline in property tax revenues, our largest single source. As with many other communities nationwide, home foreclosures are at an all-time high and sales of foreclosed properties are causing the values of nonforeclosed homes to drop. As more of these sales occur, taxable values are beginning to decrease in many instances. These decreases will keep total tax revenue from increasing at usual levels and they may actually cause total tax revenue to fall.

As the Township braces itself for this possible scenario, it is blessed that the additional millages approved by our voters in recent years for the police and fire departments is likely keep those departments self-sufficient at or near present levels for the foreseeable period. Had those departments remained dependent upon receiving annual subsidies from the General Fund, those subsidies would have had to have been seriously cut or eliminated over the near term because the money simply would not have been there.

Charter Township of Clinton

Statement of Net Assets March 31, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 42,470,730	\$ 16,467,407	\$ 58,938,137	\$ 648,785
Receivables:				
Customers	43,850	3,783,376	3,827,226	-
Taxes - Net of reserve for uncollectible taxes	3,416,042	-	3,416,042	-
Interest	111,037	-	111,037	-
Special assessments - Current	-	116,382	116,382	-
Other	628,866	23,573	652,439	-
Due from other governmental units	7,811,643	237,827	8,049,470	-
Internal balances (Note 4)	855,292	(855,292)	-	-
Investment in joint venture (Note 13)	-	709,550	709,550	-
Inventories	-	133,473	133,473	-
Prepaid costs and other	911,896	43,445	955,341	-
Restricted assets (Note 6)	578,298	1,538,401	2,116,699	-
Special assessments - Net of current portion	-	1,446,586	1,446,586	-
Capital assets:				
Not depreciated (Note 3)	3,411,611	8,904,271	12,315,882	18,297
Depreciated - Net (Note 3)	41,225,071	118,989,800	160,214,871	-
Total assets	101,464,336	151,538,799	253,003,135	667,082
Liabilities				
Vouchers payable	900,278	2,621,400	3,521,678	-
Accrued and other liabilities	3,822,788	502,506	4,325,294	415
Deferred revenue (Note 12)	121,636	-	121,636	-
Refundable bonds and deposits	-	377,913	377,913	-
Noncurrent liabilities (Note 5):				
Due within one year	2,901,721	2,116,944	5,018,665	-
Due in more than one year	34,189,158	25,955,647	60,144,805	-
Total liabilities	41,935,581	31,574,410	73,509,991	415
Net Assets				
Invested in capital assets - Net of related debt	17,849,843	101,567,025	119,416,868	-
Restricted:				
Fire department services	13,740,236	-	13,740,236	-
Police department services	17,347,400	-	17,347,400	-
Street light services	502,297	-	502,297	-
Drug forfeiture activities	355,813	-	355,813	-
Construction	373,887	-	373,887	-
Debt service	208,812	467,954	676,766	-
Bond covenants (Note 6)	-	1,538,401	1,538,401	-
Unrestricted	9,150,467	16,391,009	25,541,476	666,667
Total net assets	<u>\$ 59,528,755</u>	<u>\$ 119,964,389</u>	<u>\$ 179,493,144</u>	<u>\$ 666,667</u>

Charter Township of Clinton

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	
				Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 7,051,683	\$ 1,409,794	\$ 2,331,734	\$ -
Public safety	35,438,099	1,085,421	336,942	37,836
Public works	5,556,319	833,891	-	100,000
Recreation and senior activities	2,075,513	603,353	-	-
Interest on long-term debt	1,479,507	-	-	-
Total governmental activities	51,601,121	3,932,459	2,668,676	137,836
Business-type activities:				
Water and sewer	18,996,618	22,580,063	-	-
Senior housing	1,445,980	1,820,357	-	-
Sanitation	3,633,690	3,609,596	-	-
Special assessments	-	183,051	-	-
Total business-type activities	24,076,288	28,193,067	-	-
Total primary government	<u>\$ 75,677,409</u>	<u>\$ 32,125,526</u>	<u>\$ 2,668,676</u>	<u>\$ 137,836</u>
Component units:				
Economic Development Corporation	\$ 7,888	\$ -	\$ -	\$ -
Downtown Development Authority	9,139	-	-	-
Total component units	<u>\$ 17,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Total general revenues

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

Statement of Activities
Year Ended March 31, 2008

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (3,310,155)	\$ -	\$ (3,310,155)	\$ -
(33,977,900)	-	(33,977,900)	-
(4,622,428)	-	(4,622,428)	-
(1,472,160)	-	(1,472,160)	-
(1,479,507)	-	(1,479,507)	-
(44,862,150)	-	(44,862,150)	-
-	3,583,445	3,583,445	-
-	374,377	374,377	-
-	(24,094)	(24,094)	-
-	183,051	183,051	-
-	4,116,779	4,116,779	-
(44,862,150)	4,116,779	(40,745,371)	-
-	-	-	(7,888)
-	-	-	(9,139)
-	-	-	(17,027)
38,960,579	-	38,960,579	183,279
7,882,164	-	7,882,164	-
1,373,711	1,094,857	2,468,568	24,067
1,612,158	37,779	1,649,937	-
9,189	(9,189)	-	10,000
49,837,801	1,123,447	50,961,248	217,346
4,975,651	5,240,226	10,215,877	200,319
54,553,104	114,724,163	169,277,267	466,348
\$ 59,528,755	\$ 119,964,389	\$ 179,493,144	\$ 666,667

Charter Township of Clinton

	Major Special Revenue Funds			Major Debt Service Fund	Major Capital Projects Fund
	General Fund	Fire Fund	Police Fund	Court Building Debt Service Fund	Court Building Capital Projects Fund
Assets					
Cash and investments (Note 2)	\$ 6,722,126	\$ 12,759,624	\$ 17,592,310	\$ 300	\$ -
Receivables:					
Taxes	424,918	1,249,242	1,657,663	-	-
Customers	-	-	-	-	-
Interest	111,037	-	-	-	-
Other	200,821	-	35,542	-	-
Restricted assets (Note 6)	-	-	-	-	578,298
Due from other funds (Note 4)	894,665	-	-	-	-
Due from other governmental units	1,814,233	793	415	5,962,500	-
Prepaid costs and other	210,086	124,398	163,641	-	-
Total assets	\$ 10,377,886	\$ 14,134,057	\$ 19,449,571	\$ 5,962,800	\$ 578,298
Liabilities and Fund Balances					
Liabilities					
Vouchers payable	\$ 275,167	\$ 122,114	\$ 245,460	\$ -	\$ 204,411
Accrued and other liabilities	330,900	271,707	1,816,662	-	-
Due to other funds (Note 4)	4,944	-	-	-	-
Deferred revenue	640,517	-	40,049	5,962,500	-
Total liabilities	1,251,528	393,821	2,102,171	5,962,500	204,411
Fund Balances					
Reserved for prepaid costs	121,336	124,398	163,641	-	-
Unreserved:					
Designated, reported in:					
General Fund (Note 9)	3,844,017	-	-	-	-
Special Revenue Funds (Note 9)	-	13,615,838	17,183,759	-	-
Debt Service Funds (Note 9)	-	-	-	300	-
Capital Projects Funds (Note 9)	-	-	-	-	373,887
Undesignated, reported in:					
General Fund	5,161,005	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Debt Service Funds	-	-	-	-	-
Total fund balances	9,126,358	13,740,236	17,347,400	300	373,887
Total liabilities and fund balances	\$ 10,377,886	\$ 14,134,057	\$ 19,449,571	\$ 5,962,800	\$ 578,298

**Governmental Funds
Balance Sheet
March 31, 2008**

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,396,370	\$ 42,470,730
84,219	3,416,042
43,850	43,850
-	111,037
392,503	628,866
-	578,298
6,109	900,774
33,702	7,811,643
<u>184,720</u>	<u>682,845</u>
<u>\$ 6,141,473</u>	<u>\$ 56,644,085</u>
\$ 53,126	\$ 900,278
1,500	2,420,769
40,538	45,482
<u>-</u>	<u>6,643,066</u>
95,164	10,009,595
184,720	594,095
-	3,844,017
1,261,804	32,061,401
6,150	6,450
-	373,887
-	5,161,005
4,352,197	4,352,197
<u>241,438</u>	<u>241,438</u>
<u>6,046,309</u>	<u>46,634,490</u>
<u>\$ 6,141,473</u>	<u>\$ 56,644,085</u>

Charter Township of Clinton

Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets Year Ended March 31, 2008

Fund Balances - Total Governmental Funds	\$ 46,634,490
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	42,806,288
Infrastructure assets used in governmental activities are not financial resources and are not reported in the funds	1,830,394
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures	6,521,430
Accrued workers' compensation liability is not reported in the governmental funds	(1,345,101)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:	
Notes and bonds payable	(32,749,339)
Compensated absences	(4,341,540)
Debt issuance costs treated as an expenditure in a prior period in the governmental funds have been capitalized and are being amortized over the life of the related debt in the governmental activities	229,051
Accrued interest payable is not included as a liability in the governmental funds	<u>(56,918)</u>
Net Assets of Governmental Activities	<u>\$ 59,528,755</u>

Charter Township of Clinton

	Major Special Revenue Funds			Major Debt	Major Capital
	General Fund	Fire Fund	Police Fund	Service Fund	Projects Fund
				Court Building Debt Service	Court Building
Revenue					
Property taxes	\$ 2,466,706	\$ 15,132,714	\$ 20,132,174	\$ -	\$ -
Licenses and permits	1,212,927	-	65,860	-	-
Special assessments	-	-	-	-	-
Federal sources	223,361	66,267	66,877	-	-
State sources	8,057,330	-	241,634	-	-
Interest	515,308	354,546	462,376	-	260,244
Other revenue	3,041,739	143,276	559,134	784,500	-
Total revenue	15,517,371	15,696,803	21,528,055	784,500	260,244
Expenditures					
Current:					
General government	5,460,562	-	-	-	9,566,911
Public safety	1,750,876	14,319,293	18,959,594	-	-
Public works	4,209,702	-	-	-	-
Recreation and senior activities	2,451,459	-	-	-	-
Debt service:					
Principal	-	250,000	-	200,000	-
Interest	-	305,938	-	584,200	-
Total expenditures	13,872,599	14,875,231	18,959,594	784,200	9,566,911
Excess of Revenue Over (Under)					
Expenditures	1,644,772	821,572	2,568,461	300	(9,306,667)
Other Financing Sources (Uses)					
Transfers in (Note 4)	-	-	-	-	-
Transfers out (Note 4)	(290,226)	(95,873)	-	-	-
Total other financing sources (uses)	(290,226)	(95,873)	-	-	-
Net Change in Fund Balances	1,354,546	725,699	2,568,461	300	(9,306,667)
Fund Balances - Beginning of year	7,771,812	13,014,537	14,778,939	-	9,680,554
Fund Balances - End of year	\$ 9,126,358	\$ 13,740,236	\$ 17,347,400	\$ 300	\$ 373,887

**Governmental Funds
Statement of Revenue, Expenditures, and
Changes in Fund Balances
Year Ended March 31, 2008**

Other Governmental Funds	Total Governmental Funds
\$ 1,345,968	\$ 39,077,562
-	1,278,787
94,040	94,040
685,388	1,041,893
-	8,298,964
200,374	1,792,848
<u>791,863</u>	<u>5,320,512</u>
3,117,633	56,904,606
1,234,285	16,261,758
223,083	35,252,846
567,789	4,777,491
-	2,451,459
912,574	1,362,574
<u>594,212</u>	<u>1,484,350</u>
<u>3,531,943</u>	<u>61,590,478</u>
(414,310)	(4,685,872)
387,263	387,263
-	(386,099)
<u>387,263</u>	<u>1,164</u>
(27,047)	(4,684,708)
<u>6,073,356</u>	<u>51,319,198</u>
<u>\$ 6,046,309</u>	<u>\$ 46,634,490</u>

Charter Township of Clinton

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (4,684,708)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (2,235,013)	
Capital outlay	<u>7,101,001</u>	4,865,988

Capital outlay expenditures incurred on behalf of other governments are recognized as expenditures in the governmental funds but not in the statement of activities 4,000,079

Capital assets donated to the Township are recorded in the statement of activities but not in the governmental funds 100,000

Losses recognized on the sale of capital assets, arising from differences between sales proceeds and book value of assets are not recorded in governmental funds (71,590)

Infrastructure assets are constructed by the Special Assessment Enterprise Fund and transferred to governmental activities 8,025

Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds (20,868)

Interest expense is recorded in the statement of activities when incurred; it is not reported in the governmental funds until paid 4,842

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 1,362,575

Increase in accumulated workers' compensation is recorded when earned in the statement of activities (160,058)

Debt issuance costs are expensed when incurred in the governmental funds; they are capitalized and amortized over the life of the loan in the statement of activities (9,959)

Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities (418,675)

Change in Net Assets of Governmental Activities **\$ 4,975,651**

Charter Township of Clinton

Proprietary Funds Statement of Net Assets March 31, 2008

	Major Funds				
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	Total Enterprise Funds
Assets					
Current assets:					
Cash and cash equivalents (Note 2)	\$ 14,646,840	\$ 648,697	\$ 255,457	\$ 916,413	\$ 16,467,407
Receivables:					
Customers	3,101,004	-	682,372	-	3,783,376
Special assessments	-	-	-	116,382	116,382
Other	23,573	-	-	-	23,573
Investment in joint venture (Note 13)	-	-	709,550	-	709,550
Due from other funds (Note 4)	-	-	253,829	-	253,829
Due from other governmental units	237,827	-	-	-	237,827
Inventories	133,473	-	-	-	133,473
Prepaid costs	43,445	-	-	-	43,445
Total current assets	18,186,162	648,697	1,901,208	1,032,795	21,768,862
Noncurrent assets:					
Restricted assets (Notes 2 and 6)	1,538,401	-	-	-	1,538,401
Special assessments - Net of current portion	-	-	-	1,446,586	1,446,586
Capital assets - Net (Note 3)	116,298,857	11,416,507	178,707	-	127,894,071
Total noncurrent assets	117,837,258	11,416,507	178,707	1,446,586	130,879,058
Total assets	136,023,420	12,065,204	2,079,915	2,479,381	152,647,920
Liabilities					
Current liabilities:					
Vouchers payable	2,355,651	-	260,486	5,263	2,621,400
Accrued and other liabilities	296,334	206,172	-	-	502,506
Due to other funds (Note 4)	1,107,957	-	-	1,164	1,109,121
Current portion of long-term debt (Note 5)	1,001,485	685,459	-	430,000	2,116,944
Total current liabilities	4,761,427	891,631	260,486	436,427	6,349,971
Noncurrent liabilities:					
Refundable bonds and deposits	233,413	144,500	-	-	377,913
Long-term debt - Net of current portion (Note 5)	16,185,441	8,195,206	-	1,575,000	25,955,647
Total noncurrent liabilities	16,418,854	8,339,706	-	1,575,000	26,333,560
Total liabilities	21,180,281	9,231,337	260,486	2,011,427	32,683,531
Net Assets					
Investment in capital assets - Net of related debt	98,852,476	2,535,842	178,707	-	101,567,025
Restricted for:					
Bond covenants (Note 6)	1,538,401	-	-	-	1,538,401
Debt service	-	-	-	467,954	467,954
Unrestricted	14,452,262	298,025	1,640,722	-	16,391,009
Total net assets	\$ 114,843,139	\$ 2,833,867	\$ 1,819,429	\$ 467,954	\$ 119,964,389

Charter Township of Clinton

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2008

	Major Funds				Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	
Operating Revenue					
Charges for sales and services	\$ 22,105,866	\$ -	\$ 3,606,996	\$ 183,051	\$ 25,895,913
Rent	-	1,785,410	-	-	1,785,410
Other	474,197	34,947	2,600	-	511,744
Total operating revenue	22,580,063	1,820,357	3,609,596	183,051	28,193,067
Operating Expenses					
Cost of water and sewage disposal	13,275,520	-	-	-	13,275,520
Operation and maintenance	994,493	646,740	3,629,611	-	5,270,844
General and administrative	1,892,455	-	-	-	1,892,455
Salaries and fringe benefits	4,687,235	-	-	-	4,687,235
Depreciation	3,418,296	329,394	4,079	-	3,751,769
Total operating expenses	24,267,999	976,134	3,633,690	-	28,877,823
Operating Income (Loss)	(1,687,936)	844,223	(24,094)	183,051	(684,756)
Nonoperating Revenue (Expenses)					
Debt, capital charges, and tap fees	404,653	-	-	-	404,653
Investment income	929,349	13,443	21,982	130,083	1,094,857
Income from joint ventures	-	-	33,879	-	33,879
Proceeds from sale of asset	3,900	-	-	-	3,900
Interest expense	(686,646)	(469,846)	-	(93,191)	(1,249,683)
Total nonoperating revenue (expenses)	651,256	(456,403)	55,861	36,892	287,606
Income (Loss) - Before contributions and transfers	(1,036,680)	387,820	31,767	219,943	(397,150)
Contributions from Developers and Other Funds	5,668,519	-	-	(21,954)	5,646,565
Other Financing Uses					
Transfers out to other funds (Note 4)	-	-	-	(1,164)	(1,164)
Transfers to governmental activities - Infrastructure assets (Note 4)	-	-	-	(8,025)	(8,025)
Total other financing uses	-	-	-	(9,189)	(9,189)
Increase in Net Assets	4,631,839	387,820	31,767	188,800	5,240,226
Net Assets - Beginning of year	110,211,300	2,446,047	1,787,662	279,154	114,724,163
Net Assets - End of year	\$ 114,843,139	\$ 2,833,867	\$ 1,819,429	\$ 467,954	\$ 119,964,389

Charter Township of Clinton

Proprietary Funds Statement of Cash Flows Year Ended March 31, 2008

	Major Funds			Special	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Assessment Fund	
Cash Flows from Operating Activities					
Receipts from customers	\$ 22,105,866	\$ 1,785,410	\$ 2,924,624	\$ 393,429	\$ 27,209,329
Payments to suppliers	(10,919,869)	(606,060)	(3,226,973)	(99,892)	(14,852,794)
Payments to employees and benefit providers	(8,112,537)	-	-	-	(8,112,537)
Net cash provided by (used in) operating activities	3,073,460	1,179,350	(302,349)	293,537	4,243,998
Cash Flows from Noncapital Financing Activities					
Funds advanced to other governmental units	(57,964)	-	-	-	(57,964)
Transfer out	-	-	-	(9,189)	(9,189)
Net cash used in noncapital financing activities	(57,964)	-	-	(9,189)	(67,153)
Cash Flows from Capital and Related Financing Activities					
Collection of debt, capital charges, and tap fees	404,653	-	-	-	404,653
Contributions from developers and other funds	-	-	-	(21,954)	(21,954)
Proceeds from sale of assets	3,900	-	-	-	3,900
Principal, interest, and other costs paid on long-term debt	(1,563,534)	(1,247,110)	-	(563,191)	(3,373,835)
Purchase of capital assets	(6,769,605)	-	(141,992)	-	(6,911,597)
Net cash used in capital and related financing activities	(7,924,586)	(1,247,110)	(141,992)	(585,145)	(9,898,833)
Cash Flows from Investing Activities					
Interest received on investments	929,349	13,443	21,982	130,083	1,094,857
Purchase of investment securities	(31,568,000)	-	-	-	(31,568,000)
Proceeds from sale and maturities of investment securities	33,568,000	-	-	-	33,568,000
Net cash provided by investing activities	2,929,349	13,443	21,982	130,083	3,094,857
Net Decrease in Cash and Cash Equivalents	(1,979,741)	(54,317)	(422,359)	(170,714)	(2,627,131)
Cash and Cash Equivalents - Beginning of year	16,308,982	703,014	677,816	1,087,127	18,776,939
Cash and Cash Equivalents - End of year	<u>\$ 14,329,241</u>	<u>\$ 648,697</u>	<u>\$ 255,457</u>	<u>\$ 916,413</u>	<u>\$ 16,149,808</u>
Balance Sheet Classification of Cash and Cash Equivalents					
Cash and investments per balance sheet	\$ 14,646,840	\$ 648,697	\$ 255,457	\$ 916,413	\$ 16,467,407
Restricted cash and cash investments	1,538,401	-	-	-	1,538,401
Less investments with original maturities in excess of three months	(1,856,000)	-	-	-	(1,856,000)
Total cash and cash equivalents	<u>\$ 14,329,241</u>	<u>\$ 648,697</u>	<u>\$ 255,457</u>	<u>\$ 916,413</u>	<u>\$ 16,149,808</u>
Cash Flows from Operating Activities					
Operating (loss) income	\$ (1,687,936)	\$ 844,223	\$ (24,094)	\$ 183,051	\$ (684,756)
Adjustments to reconcile operating (loss) income to net cash from operating activities:					
Depreciation	3,418,296	329,394	4,079	-	3,751,769
Changes in assets and liabilities:					
Accounts receivable	(433,043)	-	(10,954)	210,378	(233,619)
Prepaid and other assets	23,403	-	-	-	23,403
Inventory	109,752	-	-	-	109,752
Accounts payable	1,134,762	(11,858)	(58,288)	(39,978)	1,024,638
Due to (from) other funds	561,497	-	(213,092)	(38,674)	309,731
Accrued and other liabilities	(53,271)	17,591	-	(21,240)	(56,920)
Net cash provided by (used in) operating activities	<u>\$ 3,073,460</u>	<u>\$ 1,179,350</u>	<u>\$ (302,349)</u>	<u>\$ 293,537</u>	<u>\$ 4,243,998</u>
Significant Noncash Investing and Financing Transactions -					
Contribution of capital assets from developers and other funds	<u>\$ 5,668,519</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,668,519</u>

Charter Township of Clinton

Fiduciary Funds Statement of Net Assets March 31, 2008

	Pension and Other Employee Benefit	
	Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 2,277,512	\$ 804,083
Common stock	45,238,105	-
U.S. Treasury notes	558,623	-
U.S. government agency securities	8,431,014	-
Corporate bonds	13,138,920	-
Money market funds	3,158,118	-
Hedge funds	5,696,879	-
Mutual funds	38,576,623	-
Repurchase agreements	128,005	-
Total	117,203,799	804,083
Prepaid expenses and other	5,296	405
Total assets	117,209,095	<u>\$ 804,488</u>
Liabilities		
Benefits payable and other liabilities	1,267,895	\$ -
Due to other governmental units	-	30,349
Refundable bonds and deposits	-	774,139
Collateral for securities lending	2,703,745	-
Total liabilities	3,971,640	<u>\$ 804,488</u>
Net Assets - Held in trust for pension systems and other employee benefits	<u>\$ 113,237,455</u>	

Charter Township of Clinton

Fiduciary Funds Statement of Changes in Net Assets Year Ended March 31, 2008

	Pension and Other Employee Benefit Trust Funds
Additions	
Contributions:	
Employee	\$ 1,001,353
Township	<u>5,106,807</u>
Total contributions	6,108,160
Investment income:	
Interest and dividends	4,059,625
Net depreciation in fair value of investments	(2,736,490)
Less investment expenses	<u>(634,349)</u>
Net investment income	688,786
Securities lending income:	
Interest and fees	288,325
Less borrower rebates and fees	<u>(270,634)</u>
Net securities lending income	<u>17,691</u>
Total additions	6,814,637
Deductions	
Benefit payments	3,517,046
Administrative expenses	<u>60,352</u>
Total deductions	<u>3,577,398</u>
Net Increase	3,237,239
Net Assets Held in Trust for Pension Benefits	
Beginning of year	<u>110,000,216</u>
End of year	<u><u>\$ 113,237,455</u></u>

Charter Township of Clinton

Component Units Statement of Net Assets March 31, 2008

	Economic Development Corporation	Downtown Development Authority	Total
Assets			
Cash and investments (Note 2)	\$ 208,265	\$ 440,520	\$ 648,785
Capital assets			
Depreciated - Net (Note 3)	<u>-</u>	<u>18,297</u>	<u>18,297</u>
Total assets	208,265	458,817	\$ 667,082
Liabilities - Due to Police Fund	<u>-</u>	<u>415</u>	<u>415</u>
Net Assets - Unrestricted	<u>\$ 208,265</u>	<u>\$ 458,402</u>	<u>\$ 666,667</u>

Charter Township of Clinton

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Economic Development Corporation - Public works	\$ 7,888	\$ -	\$ -	\$ -
Downtown Development Authority - Public works	9,139	-	-	-
Total component units	<u>\$ 17,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes
Interest
Transfers

Total general revenues

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

**Component Units
Statement of Activities
Year Ended March 31, 2008**

Net (Expense) Revenue and Changes in		
Net Assets		
Economic Development Corporation	Downtown Development Authority	Total
\$ (7,888)	\$ -	\$ (7,888)
-	(9,139)	(9,139)
(7,888)	(9,139)	(17,027)
-	183,279	183,279
9,327	14,740	24,067
-	10,000	10,000
9,327	208,019	217,346
1,439	198,880	200,319
206,826	259,522	466,348
\$ 208,265	\$ 458,402	\$ 666,667

Charter Township of Clinton

**Notes to Financial Statements
March 31, 2008**

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Blended Component Unit

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

Charter Township of Clinton

**Notes to Financial Statements
March 31, 2008**

Note 1 - Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units

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

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

Government-wide and Fund Financial Statements

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

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

Charter Township of Clinton

**Notes to Financial Statements
March 31, 2008**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

The Township reports the following major governmental funds:

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

The Township reports the following major proprietary funds:

- The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.
- The Senior Housing Fund accounts for the activities of the Township's senior housing apartment complex.
- The Sanitation Fund accounts for the activities associated with the Township's rubbish collection program.

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the Township reports the following fund types:

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

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

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

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property Tax Revenue

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2007 taxable valuation (real and personal property) of the Township totaled \$3,229,798,057, on which ad valorem taxes levied consisted of .7289 mills for the Township's operating purposes, .8647 mills for fire operating purposes, 1.4551 mills for police operating purposes, and .32 mills for the retirement of police building debt. The ad valorem taxes generated \$2,354,200 for general operations, \$2,792,806 for fire operations, \$4,699,679 for police operations, and \$1,033,535 for police building debt retirement. The 2007 real property taxable valuation of the Township totaled \$3,059,090,296, on which special assessments levied consisted of 5 mills for police operations and 4 mills for fire operations. The special assessment levies generated \$15,295,451 for police operations and \$12,236,361 for fire operations. The industrial facilities tax roll generated \$28,475 for general operations, \$179,211 for police operations, \$131,674 for fire operations, and \$12,500 for police building debt retirement. These amounts are recorded in their respective funds as tax revenue.

Assets, Liabilities, and Net Assets or Equity

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

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

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

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

Cumulative expenditures over revenue - April 1, 2007		\$ (2,510,000)
Fiscal 2008 building department activity:		
Permit revenue	\$ 1,213,000	
Expenditures	<u>(1,755,000)</u>	
Excess of expenditures over revenue		<u>(542,000)</u>
Cumulative expenditures over revenue - March 31, 2008		<u>\$ (3,052,000)</u>

Note 2 - Deposits and Investments

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

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

As permitted by state statutes, and under the provisions of a Securities Lending Authorization Agreement, the Fire and Police Pension System Trust Fund lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Fire and Police Pension System's custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended March 31, 2008, only United States currency was received as collateral.

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

Note 2 - Deposits and Investments (Continued)

The Police and Fire Pension System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of March 31, 2008 was 140 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On March 31, 2008, the Police and Fire Pension System had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the Police and Fire Pension System as of March 31, 2008 were \$2,703,745 and \$2,635,249, respectively.

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

Custodial Credit Risk - Township-wide Bank Deposits and Investments - Custodial credit risk is the risk that in the event of a third-party custodian's failure, the Township's deposits may not be returned to it. The Township's investment policy requires that the Township minimize custodial credit risk by using only financial institutions meeting a pre-qualification evaluation and holding securities in the Township's name. The evaluation of institutions includes screening by size, asset quality, liquidity of funds, profitability, and capital using several third-party sources. At year end, the Township had \$72 million of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Pension and Retiree Health Care Funds - The Township's pension trust fund does not have an investment policy for custodial credit risk. At year end, the Township's pension trust fund had \$2.1 million of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township's pension trust fund believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township's pension trust fund evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

Note 2 - Deposits and Investments (Continued)

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

Investment Type	Fair Value of Township Investments and Pension Trust Funds	How Held
Corporate bonds	\$ 10,275,191	Counterparty
Equity securities	45,822,566	Counterparty
Foreign mutual funds	7,294,364	Counterparty
United States government agencies	9,177,352	Counterparty
Total uninsured and unregistered	<u>\$ 72,569,473</u>	

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

Investment Type	Fair Value of Township-wide Deposits and Investments	Fair Value of Pension Trust Funds	Less than 6 Years	6-15 Years	Greater than 15 Years
U.S. government or agency securities	\$ -	\$ 9,177,353	\$ 47,758	\$ 2,163,744	\$ 6,965,851
Corporate bonds	-	10,275,192	2,750,242	3,775,365	3,749,585

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

Note 2 - Deposits and Investments (Continued)

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

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 13,630,730	Not Rated	Not Rated
Bank investment pool	11,396,535	Aaa	Moody's
U.S. government agency mortgage-backed securities	8,396,039	Not Rated	Not Rated
Corporate asset-backed securities	2,560,265	AAA - CCC	Standard and Poor's
U.S. federal agencies	34,976	Not Rated	Standard and Poor's
Collateralized mortgage obligations	2,028,308	AAA	Standard and Poor's
Collateralized mortgage obligations	372,940	Not Rated	Not Rated
Corporate bonds	5,501,393	AAA - B	Standard and Poor's

Concentration of Credit Risk - The Township's investment policy minimizes the risk in placing a large portion of the portfolio with a single security issuer by limiting the exposure to 20 percent of the total portfolio. At March 31, 2008, the Township held investments in the Federal National Mortgage Association valued at \$5,791,719. This investment represents 5.79 percent of the Township's total investments.

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

Note 2 - Deposits and Investments (Continued)

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

<u>Security</u>	<u>Fair Value</u>	<u>Foreign Currency</u>
Foreign mutual fund holdings	\$ 1,411,400	Australian dollar
Foreign mutual fund holdings	437,730	Canadian dollar
Foreign mutual fund holdings	602,994	Polish zloty
Foreign mutual fund holdings	785,108	Singapore dollar
Foreign mutual fund holdings	864,558	Swedish krona
Foreign mutual fund holdings	765,422	British pound
Foreign mutual fund holdings	755,796	Malaysian ringgit
Foreign mutual fund holdings	461,080	New Zealand dollar
Foreign mutual fund holdings	397,844	South African rand
Foreign mutual fund holdings	226,764	Iceland krona
Foreign mutual fund holdings	585,668	Norwegian kroner

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

Note 3 - Capital Assets

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

	Balance April 1, 2007	Additions	Disposals and Adjustments	Balance March 31, 2008
Governmental Activities				
Capital assets not being depreciated - Land	\$ 3,311,611	\$ 100,000	\$ -	\$ 3,411,611
Capital assets being depreciated:				
Land improvements	1,647,463	-	-	1,647,463
Buildings and building improvements	34,509,952	5,907,179	-	40,417,131
Office furniture and equipment	6,631,729	267,479	353,227	6,545,981
Vehicles	8,406,587	537,845	667,029	8,277,403
Operating equipment	4,539,597	388,498	46,000	4,882,095
Infrastructure assets constructed by special assessment fund	<u>1,888,657</u>	<u>8,025</u>	<u>-</u>	<u>1,896,682</u>
Subtotal	57,623,985	7,109,026	1,066,256	63,666,755
Accumulated depreciation:				
Land improvements	1,096,849	102,071	-	1,198,920
Buildings and building improvements	6,919,100	714,521	-	7,633,621
Office furniture and equipment	5,802,249	285,370	353,227	5,734,392
Vehicles	5,108,188	709,159	595,439	5,221,908
Operating equipment	2,246,436	386,119	46,000	2,586,555
Infrastructure assets constructed by special assessment fund	<u>28,515</u>	<u>37,773</u>	<u>-</u>	<u>66,288</u>
Subtotal	<u>21,201,337</u>	<u>2,235,013</u>	<u>994,666</u>	<u>22,441,684</u>
Net capital assets being depreciated	<u>36,422,648</u>	<u>4,874,013</u>	<u>71,590</u>	<u>41,225,071</u>
Net capital assets	<u>\$ 39,734,259</u>	<u>\$ 4,974,013</u>	<u>\$ 71,590</u>	<u>\$ 44,636,682</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

Note 3 - Capital Assets (Continued)

Business-type Activities	Balance April 1, 2007	Additions	Disposals and Adjustments	Balance March 31, 2008
Capital assets not being depreciated:				
Land	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Construction in progress	<u>4,260,227</u>	<u>3,644,044</u>	<u>-</u>	<u>7,904,271</u>
Net capital assets not being depreciated	5,260,227	3,644,044	-	8,904,271
Capital assets being depreciated:				
Land improvements	320,165	-	-	320,165
Buildings and improvements	14,476,684	194,839	-	14,671,523
Equipment	1,841,378	57,000	-	1,898,378
Vehicles	1,891,101	174,549	-	2,065,650
Furniture and fixtures	697,048	-	70,192	626,856
Meters	4,515,632	109,751	-	4,625,383
Structures, mains, and laterals	<u>152,825,577</u>	<u>8,594,762</u>	<u>-</u>	<u>161,420,339</u>
Subtotal	176,567,585	9,130,901	70,192	185,628,294
Accumulated depreciation:				
Land improvements	61,787	21,344	-	83,131
Buildings and improvements	4,184,000	308,050	-	4,492,050
Equipment	1,653,837	70,101	-	1,723,938
Vehicles	1,398,380	187,562	70,192	1,515,750
Furniture and fixtures	545,457	47,488	-	592,945
Meters	2,665,472	218,555	-	2,884,027
Structures, mains, and laterals	<u>52,447,994</u>	<u>2,898,659</u>	<u>-</u>	<u>55,346,653</u>
Subtotal	<u>62,956,927</u>	<u>3,751,759</u>	<u>70,192</u>	<u>66,638,494</u>
Net capital assets being depreciated	<u>113,610,658</u>	<u>5,379,142</u>	<u>-</u>	<u>118,989,800</u>
Net capital assets	<u>\$ 118,870,885</u>	<u>\$ 9,023,186</u>	<u>\$ -</u>	<u>\$ 127,894,071</u>
Component Unit Activities				
Capital assets being depreciated -				
Land improvements	<u>\$ -</u>	<u>\$ 18,297</u>	<u>\$ -</u>	<u>\$ 18,297</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

Note 3 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 321,707
Public safety		1,537,291
Public works		128,641
Recreation and senior activities		209,601
Infrastructure assets constructed by special assessment fund		<u>37,773</u>
Total governmental activities		<u>\$ 2,235,013</u>
Business-type activities:		
Water and sewer		\$ 3,418,286
Sanitation		4,079
Senior housing		<u>329,394</u>
Total business-type activities		<u>\$ 3,751,759</u>

Note 4 - Interfund Receivables, Payables, and Transfers

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

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 854,128
	Other nonmajor funds	<u>40,538</u>
	Total General Fund	894,666
Sanitation Fund	Water and Sewer Fund	253,829
Other nonmajor funds	General Fund	4,945
	Other nonmajor funds	<u>1,164</u>
	Total other nonmajor funds	<u>6,109</u>
	Total	<u>\$ 1,154,604</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

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

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

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

	Transfers in - Other Nonmajor Funds
Transfers out:	
General Fund	\$ 290,226 (1)
Fire Fund	95,873 (1)
Special Assessment Fund	<u>1,164 (2)</u>
Total	<u>\$ 387,263</u>

(1) Transfer for debt service payment

(2) Transfer of discretionary funds for capital improvement projects

Note 5 - Long-term Debt

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

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

Installment purchase agreements are also general obligations of the government.

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

Note 5 - Long-term Debt (Continued)

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

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

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
General obligation bonds:						
Building Authority Refunding Bonds - Series 1994:*						
Amount of issue - \$7,270,000	4.50%-	\$232,220-				
Maturing through 2010	4.90%	\$278,955	\$ 1,053,025	\$ (232,220)	\$ 820,805	\$ 273,115
Building Authority Refunding Bonds - Series 1998:*						
Amount of issue - \$10,390,000	4.30% -	\$5,355-				
Maturing through 2017	5.50%	\$315,945	1,883,889	(5,355)	1,878,534	6,426
Police Building Bonds - Series 1998:						
Amount of issue - \$8,000,000	4.00%-	\$325,000-				
Maturing through 2018	6.00%	\$725,000	5,625,000	(375,000)	5,250,000	400,000
Police Building Bonds - Series 1999:						
Amount of issue - \$5,900,000	4.00%-	\$150,000-				
Maturing through 2018	6.00%	\$600,000	4,550,000	(300,000)	4,250,000	300,000
Fire Building Bonds - Series 2002:						
Amount of issue - \$8,500,000	2.50%-	\$175,000-				
Maturing through 2022	4.60%	\$750,000	7,550,000	(250,000)	7,300,000	275,000
41-B District Court Bonds - Series 2006:						
Amount of issue - \$13,500,000	4.00%-	\$50,000-				
Maturing through 2031	4.50%	\$1,000,000	13,450,000	(200,000)	13,250,000	200,000
Total bond obligations			34,111,914	(1,362,575)	32,749,339	1,454,541
Other long-term obligations - Compensated absences			3,922,865	418,675	4,341,540	1,447,180
Total governmental activities			38,034,779	(943,900)	37,090,879	2,901,721

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

Note 5 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-type Activities						
General obligation bonds:						
Building Authority Refunding Bonds - Series 1994:*						
Amount of issue - \$7,270,000	4.50%-	\$562,780-				
Maturing through 2010	4.90%	\$676,045	\$ 2,551,980	\$ (562,780)	\$ 1,989,200	\$ 661,885
Building Authority Refunding Bonds - Series 1998*:						
Amount of issue - \$10,390,000	4.30% -	\$19,645-				
Maturing through 2017	5.50%	\$1,159,055	6,911,110	(19,645)	6,891,465	23,574
1998 Special Assessment Bonds - Limited Tax Bonds (Project Nos. 930, 931, 932, 933, 938, and 939):						
Amount of issue - \$945,000		\$50,000-				
Maturing through 2008	6.00%	\$100,000	125,000	(75,000)	50,000	50,000
1999 Special Assessment Bonds - Limited Tax Bonds (Project Nos. 892, 923, 937, 940, 941, 948, and 952):						
Amount of issue - \$680,000	3.80%-	\$55,000-				
Maturing through 2008	4.25%	\$60,000	115,000	(55,000)	60,000	60,000
2001 Special Assessment Bonds - Limited Tax Bonds (Project Nos. 985, 988, and 990):						
Amount of issue - \$995,000	3.80%-	\$105,000-				
Maturing through 2011	4.60%	\$110,000	425,000	(105,000)	320,000	105,000
2004 Special Assessment Bonds - Limited Tax Bonds (Project Nos. P1000, P1006, P1018, P1029, and S1013):						
Amount of issue - \$1,115,000	3.15%-	\$80,000-				
Maturing through 2014	3.80%	\$135,000	900,000	(130,000)	770,000	110,000
2006 Special Assessment Bonds - Limited Tax Bonds (Project Nos. S-1052, W-1053, and P-1056)						
Amount of issue - \$955,000		\$100,000-				
Maturing through 2015	6.00%	\$105,000	910,000	(105,000)	805,000	105,000
Revenue bonds:						
Revenue Refunding Bonds - Series 1998:						
Amount of issue - \$4,110,000	4.35%-	\$145,000-				
Maturing through 2013	5.00%	\$435,000	1,860,000	(435,000)	1,425,000	425,000

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

Note 5 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-type Activities (Continued)						
Revenue bonds (Continued):						
Revenue Bonds - Series 2001:						
Amount of issue - \$8,000,000	4.00%-	\$200,000-				
Maturing through 2022	7.00%	\$650,000	\$ 7,025,000	\$ (275,000)	\$ 6,750,000	\$ 300,000
Revenue Refunding Bonds - Series 2004:						
Amount of issue - \$2,570,000	2.00%-	\$5,000-				
Maturing through 2016	3.40%	\$405,000	2,540,000	(20,000)	2,520,000	20,000
Revenue Bonds - CWRP Project 5191-01:						
Amount of issue - \$1,405,000		\$55,000-				
Maturing through 2024	2.125%	\$85,000	1,230,000	(60,000)	1,170,000	60,000
Revenue Bonds - SQWIF Project 3001-01:						
Amount of issue - \$270,000		\$10,000-				
Maturing through 2024	1.625%	\$15,000	172,471	(10,000)	162,471	10,000
Revenue Bonds - Series 2006:						
Amount of issue - \$5,000,000	3.75%-	\$100,000-				
Maturing through 2026	4.30%	\$400,000	5,000,000	(100,000)	4,900,000	100,000
Total bond obligations			29,765,561	(1,952,425)	27,813,136	2,030,459
Other long-term obligations - Compensated absences			236,343	23,112	259,455	86,485
Total business-type activities			30,001,904	(1,929,313)	28,072,591	2,116,944
Total primary government			\$ 68,036,683	\$ (2,873,213)	\$ 65,163,470	\$ 5,018,665

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

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 1,454,541	\$ 1,418,392	\$ 2,872,933	\$ 2,030,459	\$ 1,172,755	\$ 3,203,214
2010	1,525,161	1,352,992	2,878,153	1,924,839	1,079,834	3,004,673
2011	1,660,381	1,287,210	2,947,591	2,109,619	992,101	3,101,720
2012	1,665,975	1,218,285	2,884,260	2,209,025	903,102	3,112,127
2013	1,849,543	1,148,947	2,998,490	2,315,457	812,055	3,127,512
2014-2018	11,618,738	4,446,539	16,065,277	10,636,262	2,663,818	13,300,080
2019-2023	5,875,000	2,322,525	8,197,525	4,902,475	854,031	5,756,506
2024-2028	4,100,000	1,246,300	5,346,300	1,685,000	139,006	1,824,006
2029-2032	3,000,000	270,000	3,270,000	-	-	-
Total	\$ 32,749,339	\$ 14,711,190	\$ 47,460,529	\$ 27,813,136	\$ 8,616,702	\$ 36,429,838

Note 5 - Long-term Debt (Continued)

Defeased Debt

In prior years, the Township defeased certain Building Authority and Water and Sewer Revenue Bonds by placing surplus cash in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the basic financial statements. At March 31, 2008, \$11,450,000 of Building Authority Bonds and \$1,800,000 of Water and Sewer Revenue Bonds outstanding are considered defeased.

No Commitment Debt

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

Note 6 - Restricted Assets

The Water and Sewer Fund accounts for the operation and maintenance of the water and sewer treatment activities of the Township, including the funding of reserves as required by the revenue bond ordinances. The bond reserve account balance at March 31, 2008 is funded by certificates of deposits and money market funds in the amount of \$1,538,401.

The Court Building Capital Projects Fund accounts for the construction of the 41-B District Court Facility Building. Total assets restricted for use in this construction project at March 31, 2008 are \$578,298.

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

Note 7 - Risk Management

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

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

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

	<u>2008</u>	<u>2007</u>
Estimated liability - Beginning of year	\$ 1,185,043	\$ 925,927
Estimated claims incurred, including changes in estimates	581,016	733,627
Claim payments	<u>(420,958)</u>	<u>(474,511)</u>
Estimated liability - End of year	<u>\$ 1,345,101</u>	<u>\$ 1,185,043</u>

Note 8 - Commitments and Contingencies

Construction Commitments - The Charter Township of Clinton has active construction projects at year end. As of March 31, 2008, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Ashbury Park Subdivision Sanitary Sewer	\$ 1,460,000	\$ 273,000
Liverpool Subdivision Sanitary Sewer	335,000	482,000
41-B District Court Building	11,971,000	6,000
Other commitments	<u>1,766,000</u>	<u>258,000</u>
Total	<u>\$ 15,532,000</u>	<u>\$ 1,019,000</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

Note 8 - Commitments and Contingencies (Continued)

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

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

Note 9 - Designated Fund Balances

Designated fund balance in the governmental funds at March 31, 2008 is as follows:

	General Fund	Fire Fund	Police Fund	Court Building Debt Service Fund	Court Building Capital Projects Fund	Other Nonmajor Governmental Funds
Subsequent year's budget	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,261,804
Debt service	-	-	-	300	-	6,150
Working capital	3,594,017	13,615,838	17,183,759	-	373,887	-
Workers' compensation	250,000	-	-	-	-	-
Total	\$ 3,844,017	\$ 13,615,838	\$ 17,183,759	\$ 300	\$ 373,887	\$ 1,267,954

Note 10 - Postemployment Benefits

The Township provides healthcare benefits to all full-time employees upon retirement in accordance with labor contracts. Currently, 154 retirees are eligible. The Township includes pre-Medicare retirees and their dependents in its insured healthcare plan. Contributions by the participants range from 0 percent to 100 percent depending on the number of years of service with the Township prior to retirement. The Township purchases Medicare supplemental insurance, including prescription coverage, for retirees eligible for Medicare.

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

Note 10 - Postemployment Benefits (Continued)

During the year ended March 31, 2008, the General, Special Revenue, and Water and Sewer Funds contributed \$968,430, \$2,611,000, and \$393,700, respectively, to the Postemployment Benefit Fund. Insurance premiums paid for retirees are charged to the Postemployment Benefit Fund and total approximately \$2,202,000.

The two postemployment benefit funds have a combined fund balance totaling \$14,336,308 at March 31, 2008. This amount represents the cumulative net funding provisions that have been made in advance of retiree healthcare premiums.

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

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

Note 11 - Pension Plans

Fire and Police Pension System Fund

System Description and Contribution Information

Membership of the system consisted of the following at March 31, 2007, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	95
Current employees:	
Fully vested	120
Nonvested	72
Total current employees	192
Number of participating employers	1

Note 11 - Pension Plans (Continued)

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

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

Depending upon their collective bargaining unit, plan members are required to contribute between 6.14 percent and 7.0 percent of their annual covered salary. The Township is required to contribute at an actuarially determined rate. The obligation to contribute to and maintain the system for these employees was established by Act No. 345 of the Public Acts of 1937, as amended, and modified by the collective bargaining agreements. Administrative costs of the system are financed through investment earnings.

Annual Pension Cost

For the year ended March 31, 2008, the Township's annual pension cost of \$3,105,900 for the plan was equal to the Pension System's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at March 31, 2006. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.5 percent per year, compounded annually, (b) projected salary increases of 5.0 percent to 9.0 percent per year compounded annually, and (c) no postretirement benefit increases. Assumption (b) includes inflation at 4.5 percent. For actuarial purposes, asset values are determined using techniques that smooth the effects of short-term market volatility over a four-year period. Level of percentage of payroll employer contribution rates is determined using the entry age normal actuarial funding method. The Pension System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at March 31, 2006 was 20 years.

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

Note 11 - Pension Plans (Continued)

Reserves

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

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

	Reserved for Employee Contributions	Reserved for Employer Contributions	Reserved for Membership Annuities	Total
Balances - April 1, 2007	\$ 8,760,277	\$ 58,700,221	\$ 31,637,837	\$ 99,098,335
Additions				
Contributions:				
Members	1,007,398	13,743	-	1,021,141
General Fund	-	3,105,900	-	3,105,900
Net investment gain	-	537,142	-	537,142
Securities lending income	-	17,691	-	17,691
Total balances and additions	9,767,675	62,374,697	31,637,837	103,780,209
Transfers				
Interest	183,726	(2,392,871)	2,209,145	-
Reserve adjustment	-	(3,478,286)	3,478,286	-
Total balances and additions after transfers	9,951,401	56,503,540	37,325,268	103,780,209
Deductions				
Pension benefits	(22,284)	-	(3,451,465)	(3,473,749)
Refunds and other administrative expenses	(63,332)	(60,105)	-	(123,437)
Balances - March 31, 2008	<u>\$ 9,865,785</u>	<u>\$ 56,443,435</u>	<u>\$ 33,873,803</u>	<u>\$ 100,183,023</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

Note 11 - Pension Plans (Continued)

Three-year Trend Information

<u>Year Ended</u> <u>March 31</u>	<u>Annual Pension</u> <u>Cost</u>	<u>Percentage</u> <u>Contributed</u>
2006	\$ 2,757,359	100
2007	2,902,650	100
2008	3,105,900	100

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

Michigan Municipal Employees' Retirement System

System Description and Contribution Information

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

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

Note 11 - Pension Plans (Continued)

Annual Pension Cost

For the year ended March 31, 2008, the Township's annual pension cost of \$1,073,762 for the system was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age normal funding method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) additional projected salary increases of 0.0 percent to 8.4 percent per year, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period for positive unfunded liabilities and 10-year period for negative unfunded liabilities.

	Fiscal Year Ended March 31		
	2008	2007	2006
Annual pension cost (APC)	\$ 1,073,762	\$ 1,064,644	\$ 986,461
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of March 31		
	2005	2004	2003
Actuarial value of assets	\$ 38,584,365	\$ 36,624,158	\$ 34,262,159
Actuarial accrued liability	\$ 46,481,275	\$ 45,003,631	\$ 40,476,726
Unfunded AAL (UAAL)	\$ 7,896,910	\$ 8,379,473	\$ 6,214,567
Funded ratio	83%	81%	85%
Covered payroll	\$ 10,967,930	\$ 11,970,676	\$ 11,739,691
UAAL as a percentage of covered payroll	72%	70%	53%

Charter Township of Clinton

Notes to Financial Statements March 31, 2008

Note 12 - Deferred Revenue

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

	Fund Financial Statements			Government- wide Financial Statements
	Unavailable	Unearned	Total	Unearned
State-shared revenue	\$ 558,930	\$ -	\$ 558,930	\$ -
Long-term due from other governments	5,962,500	-	5,962,500	-
Other grant revenue	-	121,636	121,636	121,636
Total restricted assets	<u>\$ 6,521,430</u>	<u>\$ 121,636</u>	<u>\$ 6,643,066</u>	<u>\$ 121,636</u>

Note 13 - Joint Ventures

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

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

Required Supplemental Information

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,421,000	\$ 2,411,000	\$ 2,466,706	\$ 55,706
Licenses and permits	1,223,500	1,167,000	1,212,927	45,927
Federal sources	49,000	29,000	223,362	194,362
State sources	8,074,500	7,854,500	8,057,329	202,829
Interest	300,000	430,000	515,308	85,308
Other revenue	3,311,950	3,859,805	3,948,639	88,834
Total revenue	15,379,950	15,751,305	16,424,271	672,966
Expenditures - Current				
General government	6,648,940	6,603,507	6,367,462	236,045
Public safety	1,682,908	1,794,048	1,750,876	43,172
Public works	4,383,261	4,335,689	4,209,702	125,987
Recreation and senior activities	2,066,938	2,436,574	2,451,459	(14,885)
Total expenditures	14,782,047	15,169,818	14,779,499	390,319
Excess of Revenue Over Expenditures	597,903	581,487	1,644,772	1,063,285
Other Financing Uses - Transfers out	(290,075)	(290,075)	(290,226)	(151)
Net Change in Fund Balance	307,828	291,412	1,354,546	1,063,134
Fund Balance - Beginning of year	7,771,812	7,771,812	7,771,812	-
Fund Balance - End of year	<u>\$ 8,079,640</u>	<u>\$ 8,063,224</u>	<u>\$ 9,126,358</u>	<u>\$ 1,063,134</u>

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended March 31, 2008

<u>Fire Fund</u>	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 14,981,107	\$ 15,150,000	\$ 15,132,714	\$ (17,286)
Interest	300,000	325,000	354,546	29,546
Other revenue	18,000	120,000	209,543	89,543
Total revenue	15,299,107	15,595,000	15,696,803	101,803
Expenditures				
Current - Public safety	14,567,371	14,620,564	14,319,293	301,271
Debt service:				
Principal	250,000	250,000	250,000	-
Interest	305,913	305,913	305,938	(25)
Total expenditures	15,123,284	15,176,477	14,875,231	301,246
Excess of Revenue Over Expenditures	175,823	418,523	821,572	403,049
Other Financing Uses - Transfers out	(95,873)	(95,873)	(95,873)	-
Net Change in Fund Balance	79,950	322,650	725,699	403,049
Fund Balance - Beginning of year	13,014,537	13,014,537	13,014,537	-
Fund Balance - End of year	<u>\$ 13,094,487</u>	<u>\$ 13,337,187</u>	<u>\$ 13,740,236</u>	<u>\$ 403,049</u>

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended March 31, 2008

<u>Police Fund</u>	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 19,750,000	\$ 20,150,000	\$ 20,132,174	\$ (17,826)
Licenses and permits	62,000	62,000	65,860	3,860
Federal sources	10,000	10,000	66,877	56,877
State sources	210,000	225,000	241,634	16,634
Other revenue	570,000	861,740	1,021,510	159,770
Total revenue	20,602,000	21,308,740	21,528,055	219,315
Expenditures - Public safety	<u>19,460,006</u>	<u>19,363,337</u>	<u>18,959,594</u>	<u>403,743</u>
Excess of Revenue Over Expenditures	1,141,994	1,945,403	2,568,461	623,058
Fund Balance - Beginning of year	<u>14,778,939</u>	<u>14,778,939</u>	<u>14,778,939</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 15,920,933</u></u>	<u><u>\$ 16,724,342</u></u>	<u><u>\$ 17,347,400</u></u>	<u><u>\$ 623,058</u></u>

Charter Township of Clinton

Required Supplemental Information Pension System Schedule of Funding Progress and Employer Contributions March 31, 2008

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
03/31/01	\$ 63,882,741	\$ 57,476,278	\$ (6,406,463)	111.1	\$ 11,533,887	(55.5)
03/31/02	67,781,390	60,903,731	(6,877,659)	111.3	11,833,874	(58.1)
03/31/03	68,539,019	65,622,382	(2,916,637)	104.4	13,267,042	(22.0)
03/31/04	68,920,716	69,937,354	1,016,638	98.5	13,664,660	7.4
03/31/05	72,158,679	75,553,927	3,395,248	95.5	13,754,331	24.7
03/31/06	78,717,338	82,677,222	3,959,884	95.2	14,457,911	27.4

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
03/31/03	03/31/01	\$ 1,839,220	100.0
03/31/04	03/31/02	1,853,582	100.0
03/31/05	03/31/03	2,345,264	100.0
03/31/06	03/31/04	2,757,359	100.0
03/31/07	03/31/05	2,902,650	100.0
03/31/08	03/31/06	3,105,900	100.0

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

Valuation date	March 31, 2006
Actuarial cost method	Individual entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	20 years
Asset valuation method	4-year smoothed market value
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases**	5.0% - 9.0%
** Includes inflation at	4.5%
Cost of living adjustments	None

Charter Township of Clinton

Note to Required Supplemental Information March 31, 2008

Note - Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds except for the fact that other revenue per the General Fund budgetary comparison schedule includes \$906,900 of reimbursements from other funds. On the governmental funds statement of revenue, expenditures, and changes in fund balance, those reimbursements are netted against general government expenditures. All annual appropriations lapse at fiscal year end. The budget cycle runs from April 1 to March 31. The annual budget is submitted to the Township board 120 days prior to the beginning of the next fiscal year and approved by the board prior to commencement of the new fiscal year.

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

Encumbrances are not included as expenditures. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. The amount of encumbrances outstanding at March 31, 2008 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

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

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, recreation and senior activities expenditures in the General Fund were approximately \$15,000 higher than the appropriation as a result of printing and publication expenditures being higher than the amount anticipated.

Other Supplemental Information

Charter Township of Clinton

Nonmajor Special Revenue Funds

	Capital Improvement		Community Development		Postemployment Benefit	Drug Forfeiture	Street Lighting	Total Special Revenue Funds
	Revolving	Drainage	Block Grant					
Assets								
Cash and investments	\$ 2,152,669	\$ 1,515,790	\$ -	\$ 715,827	\$ 355,813	\$ 487,977	\$ 5,228,076	
Receivables:								
Taxes	2,056	-	-	-	-	-	2,056	
Customers	-	-	-	-	-	43,850	43,850	
Other	4,699	-	-	387,804	-	-	392,503	
Due from other funds	1,165	-	-	-	-	-	1,165	
Due from other governmental units	-	-	33,702	-	-	-	33,702	
Prepaid costs	-	-	-	184,720	-	-	184,720	
Total assets	<u>\$ 2,160,589</u>	<u>\$ 1,515,790</u>	<u>\$ 33,702</u>	<u>\$ 1,288,351</u>	<u>\$ 355,813</u>	<u>\$ 531,827</u>	<u>\$ 5,886,072</u>	
Liabilities and Fund Balances								
Liabilities								
Vouchers payable	\$ 13,910	\$ 2,234	\$ 664	\$ 6,475	\$ -	\$ 29,530	\$ 52,813	
Accrued and other liabilities	-	1,500	-	-	-	-	1,500	
Due to other funds	-	-	33,038	-	-	-	33,038	
Total liabilities	13,910	3,734	33,702	6,475	-	29,530	87,351	
Fund Balances								
Reserved for prepaid costs	-	-	-	184,720	-	-	184,720	
Unreserved:								
Undesignated	1,975,179	979,556	-	649,821	306,594	441,047	4,352,197	
Designated	171,500	532,500	-	447,335	49,219	61,250	1,261,804	
Total fund balances	<u>2,146,679</u>	<u>1,512,056</u>	<u>-</u>	<u>1,281,876</u>	<u>355,813</u>	<u>502,297</u>	<u>5,798,721</u>	
Total liabilities and fund balances	<u>\$ 2,160,589</u>	<u>\$ 1,515,790</u>	<u>\$ 33,702</u>	<u>\$ 1,288,351</u>	<u>\$ 355,813</u>	<u>\$ 531,827</u>	<u>\$ 5,886,072</u>	

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2008**

Nonmajor Debt Service Funds			Nonmajor Capital Projects Fund	
Building Authority	Police Facility	Total Debt Service Funds	Fire Facility	Total Nonmajor Governmental Funds
\$ 46,576	\$ 121,718	\$ 168,294	\$ -	\$ 5,396,370
-	82,163	82,163	-	84,219
-	-	-	-	43,850
-	-	-	-	392,503
-	4,944	4,944	-	6,109
-	-	-	-	33,702
-	-	-	-	184,720
<u>\$ 46,576</u>	<u>\$ 208,825</u>	<u>\$ 255,401</u>	<u>\$ -</u>	<u>\$ 6,141,473</u>
\$ -	\$ 313	\$ 313	\$ -	\$ 53,126
-	-	-	-	1,500
<u>7,500</u>	<u>-</u>	<u>7,500</u>	<u>-</u>	<u>40,538</u>
7,500	313	7,813	-	95,164
-	-	-	-	184,720
39,076	202,362	241,438	-	4,593,635
<u>-</u>	<u>6,150</u>	<u>6,150</u>	<u>-</u>	<u>1,267,954</u>
<u>39,076</u>	<u>208,512</u>	<u>247,588</u>	<u>-</u>	<u>6,046,309</u>
<u>\$ 46,576</u>	<u>\$ 208,825</u>	<u>\$ 255,401</u>	<u>\$ -</u>	<u>\$ 6,141,473</u>

Charter Township of Clinton

	Nonmajor Special Revenue Funds							Total Special Revenue Funds
	Capital Improvement	Drainage	Community Development Block Grant	Postemployment Benefit	Drug Forfeiture	Street Lighting		
	Revolving							
Revenue								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 301,804	\$ -	\$ 301,804
Special assessments	94,040	-	-	-	-	-	-	94,040
Federal sources	-	-	685,388	-	-	-	-	685,388
Interest	91,909	65,059	-	-	18,014	18,069	-	193,051
Other revenue	140,755	133,926	-	387,804	129,378	-	-	791,863
Total revenue	326,704	198,985	685,388	387,804	147,392	319,873	-	2,066,146
Expenditures								
Current:								
General government	478,718	-	685,388	65,349	-	-	-	1,229,455
Public safety	-	-	-	39,229	182,707	-	-	221,936
Public works	-	176,635	-	3,185	-	387,969	-	567,789
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenditures	478,718	176,635	685,388	107,763	182,707	387,969	-	2,019,180
Excess of Revenue Over (Under) Expenditures	(152,014)	22,350	-	280,041	(35,315)	(68,096)	-	46,966
Other Financing Sources -								
Transfers in	1,165	-	-	-	-	-	-	1,165
Net Change in Fund Balances	(150,849)	22,350	-	280,041	(35,315)	(68,096)	-	48,131
Fund Balances - Beginning of year	2,297,528	1,489,706	-	1,001,835	391,128	570,393	-	5,750,590
Fund Balances - End of year	\$ 2,146,679	\$ 1,512,056	\$ -	\$ 1,281,876	\$ 355,813	\$ 502,297	\$ -	\$ 5,798,721

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended March 31, 2008

Nonmajor Debt Service Funds			Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Building Authority	Police Facility	Total Debt Service Funds	Fire Facility	Funds
\$ -	\$ 1,044,164	\$ 1,044,164	\$ -	\$ 1,345,968
-	-	-	-	94,040
-	-	-	-	685,388
1,857	5,255	7,112	211	200,374
-	-	-	-	791,863
<u>1,857</u>	<u>1,049,419</u>	<u>1,051,276</u>	<u>211</u>	<u>3,117,633</u>
4,830	-	4,830	-	1,234,285
-	936	936	211	223,083
-	-	-	-	567,789
237,574	675,000	912,574	-	912,574
148,524	445,688	594,212	-	594,212
<u>390,928</u>	<u>1,121,624</u>	<u>1,512,552</u>	<u>211</u>	<u>3,531,943</u>
(389,071)	(72,205)	(461,276)	-	(414,310)
<u>386,098</u>	<u>-</u>	<u>386,098</u>	<u>-</u>	<u>387,263</u>
(2,973)	(72,205)	(75,178)	-	(27,047)
<u>42,049</u>	<u>280,717</u>	<u>322,766</u>	<u>-</u>	<u>6,073,356</u>
<u>\$ 39,076</u>	<u>\$ 208,512</u>	<u>\$ 247,588</u>	<u>\$ -</u>	<u>\$ 6,046,309</u>

Charter Township of Clinton

	Pension and Other Employee Benefit Trust Funds		
	Fire and Police Pension System	Public Employee Healthcare	Total
Assets			
Cash and investments	\$ 104,149,367	\$ 13,054,432	\$ 117,203,799
Prepaid expenses and other	5,296	-	5,296
Total assets	<u>\$ 104,154,663</u>	<u>\$ 13,054,432</u>	<u>\$ 117,209,095</u>
Liabilities			
Benefits payable and other liabilities	\$ 1,267,895	\$ -	\$ 1,267,895
Due to other governmental units	-	-	-
Refundable bonds and deposits	-	-	-
Collateral for securities lending	2,703,745	-	2,703,745
Total liabilities	3,971,640	-	3,971,640
Net Assets - Held in trust for pension and other employee benefits	<u>100,183,023</u>	<u>13,054,432</u>	<u>113,237,455</u>
Total liabilities and net assets	<u>\$ 104,154,663</u>	<u>\$ 13,054,432</u>	<u>\$ 117,209,095</u>

**Other Supplemental Information
Combining Statement of Net Assets
Fiduciary Funds
March 31, 2008**

Agency Funds

Tax Collection	Cash Bond	Trust and Agency	Total
\$ 30,349	\$ 321,656	\$ 452,078	\$ 804,083
-	105	300	405
<u>\$ 30,349</u>	<u>\$ 321,761</u>	<u>\$ 452,378</u>	<u>\$ 804,488</u>
\$ -	\$ -	\$ -	\$ -
30,349	-	-	30,349
-	321,761	452,378	774,139
-	-	-	-
<u>\$ 30,349</u>	<u>\$ 321,761</u>	<u>\$ 452,378</u>	<u>\$ 804,488</u>

Charter Township of Clinton

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended March 31, 2008

	Fire and Police Pension System Trust	Public Employee Healthcare Fund	Total
Additions			
Contributions:			
Employee	\$ 1,001,353	\$ -	\$ 1,001,353
Township	3,105,900	2,000,907	5,106,807
Total contributions	4,107,253	2,000,907	6,108,160
Investment income:			
Interest and dividends	3,102,437	957,188	4,059,625
Net appreciation in fair value of investments	(1,930,946)	(805,544)	(2,736,490)
Less investment expenses	(634,349)	-	(634,349)
Net investment income	537,142	151,644	688,786
Securities lending income:			
Interest and fees	288,325	-	288,325
Less borrower rebates and fees	(270,634)	-	(270,634)
Net securities lending income	17,691	-	17,691
Total additions	4,662,086	2,152,551	6,814,637
Deductions			
Benefit payments	3,517,046	-	3,517,046
Administrative expenses	60,352	-	60,352
Total deductions	3,577,398	-	3,577,398
Net Increase	1,084,688	2,152,551	3,237,239
Net Assets Held in Trust for Pension Benefits			
Beginning of year	99,098,335	10,901,881	110,000,216
End of year	<u>\$ 100,183,023</u>	<u>\$ 13,054,432</u>	<u>\$ 113,237,455</u>

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

**Report to the Board of Trustees
March 31, 2008**



Plante & Moran, PLLC
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To the Board of Trustees
 Charter Township of Clinton
 40700 Romeo Plank Road
 Clinton Township, MI 48038

We have recently completed our audit of the basic financial statements of the Charter Township of Clinton (the "Township") for the year ended March 31, 2008. In addition to our audit report, we are providing the following communication.

	<u>Page</u>
Results of the Audit	2-5
Informational - Legislative Matters, etc.	6-7

We are grateful for the opportunity to be of service to the Charter Township of Clinton. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Very truly yours,

Plante & Moran, PLLC

David W. Herrington

Dana M. Coomes



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To the Board of Trustees
Charter Township of Clinton

Dear Board Members:

We have audited the financial statements of the Charter Township of Clinton (the "Township") for the year ended March 31, 2008 and have issued our report thereon dated August 21, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 18, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Charter Township of Clinton. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of Clinton Township's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of Clinton Township's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated August 21, 2008 regarding our consideration of the Charter Township of Clinton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

We also are obligated to communicate certain matters related to our audit to those responsible for the governance of the Charter Township of Clinton, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on May 1, 2008.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2008.

We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is the workers' compensation liability.

The Township is self-insured for workers' compensation claims. As a result, management has made estimates of incurred but not reported (IBNR) claims and recorded a liability of approximately \$1,185,000. As disclosed in Note 7 of the financial statements, the liability is based on losses incurred and adjusted by a loss development factor, which are developed by a third-party management company. We evaluated the key factors and assumptions used to develop the estimated workers' compensation claims liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements is the postemployment benefits footnote.

The disclosure of postemployment benefits in Note 10 to the financial statements provides detail describing healthcare benefits available to full-time Township employees upon retirement, the current costs incurred to pay for those benefits, and a description of the upcoming reporting changes that will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employees rather than at the time premiums are paid.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 21, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the Township, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Township's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility relates to the Township's financial statements and other information as identified in the auditor's report. We have no responsibility for any other information that may be included in documents containing those audited statements. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. We read the management's discussion and analysis, and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

Single Audit Report Communication

In addition to the comments and recommendations in this letter, our observations and comments regarding the Charter Township of Clinton's internal controls have been reported to you in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. This report is included in the supplemental schedule of federal awards (single audit report) and we recommend that the matters we have noted there receive your careful consideration.

This information is intended solely for the use of the board of trustees and management of the Charter Township of Clinton and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

August 21, 2008

The following are other items we feel warrant your consideration:

Property Tax Revenue

Recent conditions in the real estate market are expected to have a negative impact on taxable values. The good news is that a given drop in market values will not result in an equivalent drop in taxable values. On the other hand, this dampened effect is diminished each year we continue with market declines. In other words, if we were to experience a theoretical 10 percent market decline three years in a row, the effect on taxable value (which would be different for each community) might be a 1 percent drop the first year, 4 percent the next year, and 7 percent in the third year. For this reason, it will be important to closely monitor taxable value, since this has the capacity to severely impact future years.

Potential Legislation Impacting Property Taxes

As a response to the situation with the real estate market, legislation is being discussed in Lansing to adjust the mechanics of the general property tax act.

The nature of the legislation has ranged from the suspension of the “pop-up” or increase in taxable value that occurs when a property sells or a “super cap” on taxable value that prohibits an increase in taxable value when market values are declining. The outcome of this legislation could also have a significant impact on the Township.

Lastly, more personal property tax relief is also part of the new Michigan business tax. Business personal property classified as “industrial” or “commercial” will be exempt from certain personal property taxes - specifically from the state education tax (SET) and local school operating mills. Industrial personal property will receive exemptions from the six SET mills and the 18 schools operating mills (for a total 24 mill exemption). Commercial personal property will be exempt from 12 of the 18 school operating mills.

Revenue Sharing

There appears to be some positive news relative to the state legislature’s funding of state-shared revenue. While we still remain cautious about this important revenue source, the current proposals call for a small increase in the statutory portion of funding for the year beginning October 1, 2008, which would result in a potential increase of only \$20,000 for the Township. However, to a great extent, actual revenue-sharing distributions will depend on the stability of the State’s budget, as well as the actual level of state tax collections. In addition, the statutory formula expired in 2007 and a new permanent formula has not been enacted.

We will continue to monitor this revenue source and inform you of any significant changes.

Charter Township of Clinton

Informational (Continued)

Retiree Health Care

As you are aware, the Township provides postemployment benefits for all eligible employees that are funded currently from various funds. For the year ended March 31, 2008, the cost of these benefits amounted to approximately \$2,202,000, representing an increase of approximately 7.7 percent over the 2007 amount.

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The intent of the new rules is to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. These new rules will apply to the government-wide financial statements, rather than the individual fund level. As a result, you will not need to change your budgeting practices.

The promise to provide health care to retirees is very similar to the promise to provide an annual pension check. Similar to the current accounting for the pension systems, the new pronouncement will require the Township to obtain an actuarial valuation of the obligation to provide retiree healthcare benefits. In addition, the Township’s funding status, or the progress it has made in accumulating assets to pay for this liability, will be disclosed in the financial statements. Lastly, the Township will be required to make an annual contribution equal to the amount that the actuary deems necessary to fund the liability. The changes required under GASB Statement No. 45 will be effective in 2009. We would be happy to assist the Township in further understanding the provisions of GASB Statement No. 45.

This information is intended solely for the use of the board of trustees and management of the Charter Township of Clinton and is not intended to be and should not be used by anyone other than these specified parties.