

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

**Financial Report
with Supplemental Information
March 31, 2012**

Charter Township of Clinton

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Charter Township of Clinton

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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, 2012, 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, except for the Fire and Police Pension System. 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, 2012 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.

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

To the Board of Trustees
Charter Township of Clinton

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2012 on our consideration of the Charter Township of Clinton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As explained in Note 2, the financial statements include fire and police pension system investments valued at approximately \$26.8 million at March 31, 2012, whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by the investment manager.

Plante & Morse, PLLC

September 20, 2012

Charter Township of Clinton

Management's Discussion and Analysis

Introduction

This discussion and analysis is included with the Charter Township of Clinton's (the "Township") financial report to provide an overview of the Township's financial activities for the fiscal year ended March 31, 2012. 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 15-17. These two statements are presented on a full accrual basis which is designed to present a longer-term view of the Township's finances. Unlike the more traditional fund-based financial statements, all activities reflected in these statements reflect the Township's investment in capital assets net of depreciation as an asset, noncurrent liabilities as liabilities, and the current period depreciation as expenditure.

The second of these two series is presented on pages 18-30. This series consists of the more traditional fund-based financial statements. It is grouped by governmental funds, proprietary funds, fiduciary funds, and component units. These statements illustrate how the services provided by the Township were financed in the short term. Additionally, these fund-based financial statements report the Township's operations in more detail than the government-wide financial statements.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Government-wide Financial Statements

In a condensed format, the following table shows the comparison of net assets (in thousands) as of March 31, 2012 and 2011:

Summary Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current Assets	\$ 68,422.1	\$ 65,193.5	\$ 17,015.6	\$ 13,702.6	\$ 85,437.7	\$ 78,896.1
Noncurrent Assets						
Restricted assets	-	-	9,267.4	2,079.7	9,267.4	2,079.7
Special assessments	-	-	462.8	688.6	462.8	688.6
Capital assets	40,070.6	41,968.6	141,646.4	140,472.0	181,717.0	182,440.6
Total assets	108,492.7	107,162.1	168,392.2	156,942.9	276,884.9	264,105.0
Liabilities						
Current liabilities	3,985.7	7,532.2	2,841.2	5,597.4	6,826.9	13,129.6
Long-term liabilities	33,234.8	30,725.8	50,950.5	41,746.5	84,185.3	72,472.3
Total liabilities	37,220.5	38,258.0	53,791.7	47,343.9	91,012.2	85,601.9
Net Assets						
Invested in capital assets - Net of related debt	18,351.7	18,620.0	99,738.8	97,291.9	118,090.5	115,911.9
Restricted	39,409.0	38,412.2	9,531.4	2,341.4	48,940.4	40,753.6
Unrestricted	13,511.5	11,871.9	5,330.3	9,965.7	18,841.8	21,837.6
Total net assets	<u>\$ 71,272.2</u>	<u>\$ 68,904.1</u>	<u>\$ 114,600.5</u>	<u>\$ 109,599.0</u>	<u>\$ 185,872.7</u>	<u>\$ 178,503.1</u>

Total net assets related to the Township's governmental activities increased by approximately \$2.4 million. An approximate \$1.65 million increase resulted from revenue exceeding expenditures across most governmental funds due to the close monitoring of expenditures, unfilled full-time vacant positions due to retirements to keep staffing at a minimum, and the deferring of capital expenditures. An increase of \$115 thousand resulted from the recording of the Township's equity in the net assets of the 41B District Court (a joint venture that provides judiciary services to the City of Mount Clemens and the Charter Townships of Clinton and Harrison). A \$17,000 decrease in net assets is the result of a reduction in the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. Net assets were increased by approximately \$49,000 due to a decrease in accumulated sick and vacation pay liability. The remainder of the difference in net assets of the approximate \$600,000 increase can be attributed to other timing differences.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

For the year ended March 31, 2012, the Township continues to record its liability/asset (in the Township's case for March 31, 2012, it is an asset) in accordance with Governmental Accounting Standards Board Statement No. 45 (GASB No. 45), *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement's rules cause the government-wide statements to recognize the cost of providing retiree healthcare coverage, as well as any "other" postemployment benefits (other than pensions), over the working life of the employee, rather than at the time the healthcare premiums are paid. The implementation of this pronouncement began on March 31, 2009 and resulted in an additional asset recorded at the government-wide level of \$899,000. This asset was reduced by \$80,000 to \$819,000 at March 31, 2010, decreased another \$116,000 to \$704,000 at March 31, 2011, and increased another \$41,000 to \$745,000 at March 31, 2012. The Township, in its 2012-2013 budget, plans to use this asset to offset the obligation for the fiscal year.

The following table shows the changes in net assets (in thousands of dollars) during the years ended March 31, 2012 and 2011:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue						
Program revenue:						
Charges for services	\$ 3,587.3	\$ 3,222.1	\$ 36,266.5	\$ 33,556.5	\$ 39,853.8	\$ 36,778.6
Operating grants and contributions	4,083.5	3,365.1	303.3	208.2	4,386.8	3,573.3
Capital grants and contributions	34.9	2,101.9	165.0	1,818.4	199.9	3,920.3
General revenue:						
Property taxes	32,454.4	35,691.3	-	-	32,454.4	35,691.3
State-shared revenue	7,073.6	6,623.5	-	-	7,073.6	6,623.5
Interest	58.6	63.1	83.0	67.2	141.6	130.3
Miscellaneous	3,559.3	4,073.6	100.0	-	3,659.3	4,073.6
Total revenue	50,851.6	55,140.6	36,917.8	35,650.3	87,769.4	90,790.9
Program Expenses						
General government	3,186.6	4,367.6	-	-	3,186.6	4,367.6
Public safety	35,207.3	36,642.2	-	-	35,207.3	36,642.2
Public works	4,759.1	5,145.3	-	-	4,759.1	5,145.3
Recreation and culture	2,507.2	2,089.8	-	-	2,507.2	2,089.8
Community and economic development	692.8	1,510.9	-	-	692.8	1,510.9
Interest on long-term debt	1,340.7	1,332.0	-	-	1,340.7	1,332.0
Water and sewer	-	-	27,365.6	24,396.6	27,365.6	24,396.6
Senior housing	-	-	1,530.3	1,525.5	1,530.3	1,525.5
Sanitation	-	-	3,770.6	3,935.5	3,770.6	3,935.5
Special assessments	-	-	39.6	56.8	39.6	56.8
Total program expenses	47,693.7	51,087.8	32,706.1	29,914.4	80,399.8	81,002.2
Change in Net Assets - Before transfers	3,157.9	4,052.8	4,211.7	5,735.9	7,369.6	9,788.7
Transfers	(789.8)	20.5	789.8	(20.5)	-	-
Change in Net Assets	2,368.1	4,073.3	5,001.5	5,715.4	7,369.6	9,788.7
Net Assets - Beginning of year	68,904.1	64,830.8	109,599.0	103,883.6	178,503.1	168,714.4
Net Assets - End of year	<u>\$ 71,272.2</u>	<u>\$ 68,904.1</u>	<u>\$ 114,600.5</u>	<u>\$ 109,599.0</u>	<u>\$ 185,872.7</u>	<u>\$ 178,503.1</u>

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Property taxes are the primary source of revenue for the governmental activities, providing approximately 64 percent of the total. State-shared revenue provides another 14 percent, user charges provide 7 percent, and grants and contributions provide 8 percent, leaving only 7 percent being provided by all other sources.

Property taxes, the largest source of general government revenue, experienced a decrease of approximately 9 percent due to a decrease in taxable property values of 7 percent with an additional 2.5 percent due to losses in prior year tax revenues from Michigan tax tribunal appeals. This was the third decrease in property values (the last fiscal year ended March 31, 2011 experienced an 8 percent decrease and there was a 3 percent decrease for the fiscal year ended March 31, 2010) that the Township has experienced in over 25 years.

State-shared revenue, our second largest source of general government revenue, shows an approximately \$450 thousand increase from the previous year, but still continues at the reduced levels of recent years. The amount received from the State during the 2012 fiscal year was approximately \$3.2 million or 31 percent less than what the Township received in the 2002 fiscal year. The Township countered these reductions by leaving vacant the positions resulting from retirements to keep the effect on non-personnel related expenditures at a minimum. This has permanently reset the level of services that the Township can afford to provide. The Township continues to budget for staff reductions through attrition in its 2012-2013 budget to counter the continuance of revenue reductions being endured. The continued sluggishness of the state's economy continues to directly impact revenue-sharing payments. The Township realizes that there are no guarantees that further revenue-sharing cuts will not be made as the State continues to struggle with its own budget difficulties. Public Act 63 of 2011 introduced the Economic Vitality Incentive Program (EVIP). An eligible city, village, or township will receive an amount for each of the three categories for which they fulfill the specific requirements. The three categories are accountability and transparency, consolidation of services, and employee compensation. The Township's compliance with all three categories of the EVIP resulted in the Township receiving the maximum amount available of \$357 thousand of statutory revenue-sharing dollars.

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

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

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

Business-type activities are accounted for in the Township's Water and Sewer, Sanitation, Senior Housing, and special assessment funds.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Fund-based Financial Statements

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

Financial and Budgetary Highlights

General Fund - Overall, General Fund revenue was approximately \$1.6 million higher than the prior year. The overall property tax revenue, which includes payment in lieu of taxes and prior year adjustments, has decreased by approximately 7 percent, or \$183 thousand, in the General Fund. The 7 percent reduction in tax revenue is directly related to the reduction in property tax values. The revenue from state revenue sources, the General Fund's largest revenue source, increased by 6 percent mainly due to the \$357 thousand of statutory revenue received through the Economic Vitality Incentive Program (EVIP). Fees and permit revenue were up 20 percent, or \$190 thousand, from the prior year mainly due to increases in the building, electrical, heating, and plumbing permits, which indicates an increase in construction of new homes and residents investing in home improvements. Interest income stayed relatively the same as the prior year, as interest rates remain very low. The cable franchise fee revenues received by the Township reflect a 48 percent increase, or \$444 thousand increase, from the prior year. The reason for this large increase is due to a change in the receiving of revenue from the two largest cable providers on a quarterly basis, rather than annually. This resulted in the accrual of quarterly revenues, which caused five quarters (rather than four quarters) of revenue being reported in this fiscal year. This is an anomaly resulting from a timing change and cable revenue will return to normal levels in future years. Administrative fees received by the General Fund from other departments is \$400 thousand higher than the prior year due to the reimbursement by the Water and Sewer Fund to reimburse the General Fund for a reduction in the previous year's administrative fee. This is another anomaly that will result in administrative fee revenues returning to normal in future years. In other revenue in the General Fund, proceeds from the sale of tax forfeited properties provided an additional \$200 thousand over the prior year sales.

Total General Fund expenditures, excluding the Postemployment Benefit Fund, increased by approximately 6.7 percent, or \$880 thousand, from the prior year. This increase is primarily due to the purchase of tax forfeited properties which amounted to approximately \$700 thousand and includes the purchase price, winter tax payments, closing fees, and other miscellaneous maintenance fees. Another addition to this fiscal year was a \$145 thousand subsidy that the General Fund provided to the Senior Housing Fund to provide for the excess of expenditures over revenue in that fund. Also, the first bond interest payment for the 2010 bond issue for the purchase of a new DPW building was made during this fiscal year in the amount of \$80 thousand. Conservative revenue projections, unfilled vacant positions, and carefully controlled spending resulted in favorable budget variances at year end.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

During the prior fiscal year, the Township implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note 1. As a result of implementing this new standard, the Postemployment Benefit Fund no longer met the definition of a special revenue type fund and accordingly, the activity of this previously separately stated fund is now included in the activity of the General Fund for the year ended March 31, 2012. The result of implementing this standard had an effect on budgeted versus actual results of the General Fund. See Note 1 to the required supplemental information for more details.

Police Fund - Overall, Police Fund revenue decreased approximately 8.7 percent from the prior year. In August 2006, the voters approved a 1.5 mill property tax levy for the operation and maintenance of the police department. This levy, along with the ongoing five special assessment mills, generated \$16.3 million this year in the Police Fund, a decrease of 9.5 percent below the prior year. This is primarily due to the 7 percent reduction in property taxable value. Tax adjustment refunds for current and prior year tax revenue from board of review and Michigan tax tribunal decisions caused an additional 2.5 percent reduction to tax revenue in the Police Fund. The property tax revenue provides 91 percent of the revenue in the Police Fund. Federal and state grant revenue was 12 percent higher than the previous year. Other revenue in the Police Fund had a slight increase of 1.6 percent. Other financing sources in the Police Fund include a transfer from the Drug Forfeiture Fund in the amount of \$125 thousand. It also includes a new transfer to the Police Fund from the Drug Enforcement Administration (DEA) Task Force Fund in the amount of \$271 thousand.

The voted 1.5 mill levy was approved for a 20-year period and was first levied on January 1, 2007. This mill is subject to both the Truth in Taxation and Headlee rollbacks. As a result of the Truth in Taxation compliance, the reduced levy of 1.4551 mills was restored back to 1.5 mills on the December 2010 tax roll and continued at that rate on the December 2011 tax roll.

Overall, Police Fund expenditures have decreased by 5.9 percent from the prior year. This decrease is primarily due to reductions in staff through attrition. Conservative revenue projections, unfilled vacant positions, and carefully controlled spending resulted in favorable budget variances at year end.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Fire Fund – This year, the Fire Fund includes funding from a federal grant the Township received from the U.S. Department of Homeland Security known as the Staffing for Adequate Fire and Emergency Response (SAFER) Grant. Overall, Fire Fund revenue decreased approximately 6.4 percent from the prior year. The Fire Fund is supported by a 4 mill special assessment operating levy and a voter approved 1 mill operating levy. This mill was approved for a 20-year period and was first levied on January 1, 2003. This mill is subject to both the Truth in Taxation and Headlee rollbacks. As a result of those rollbacks, the December 1, 2009 levy was reduced to .8647 and restored back to .9783 on December 1, 2010 and continued at that rate. This levy, along with the ongoing four special assessment mills, generated \$12.5 million this year in the Fire Fund, a decrease of 9.5 percent below the prior year. This is primarily due to the 7 percent reduction in property taxable value. Tax adjustment refunds for current and prior year tax revenue from board of review and Michigan tax tribunal decisions caused an additional 2.5 percent reduction to tax revenue in the Fire Fund. The property tax revenue provided 94.5 percent of the revenue in the Fire Fund. Included in the 2011-2012 revenue were proceeds from the sale of a fire truck in the amount of \$215 thousand which, along with \$566 thousand from the sale of a fire truck in the previous year for a cumulative total of \$781 thousand, is restricted for the purpose of purchasing vehicles in future years. Also included in the total revenue of the Fire Fund was \$315 thousand of SAFER Grant revenue.

Overall, Fire Fund expenditures have decreased by approximately 5.6 percent from the prior year. Reduction in staffing levels took place during the fiscal year through layoffs and attrition. At the end of the fiscal year, March 2011, 12 firefighters were laid off and subsequently hired back in June 2011 through funding provided by the SAFER Grant, which pays for the 12 positions, in full, for a duration of two years. The expenditures in the Fire Fund include \$1.2 million for the salary and benefits for the 12 firefighter positions provided for through the SAFER Grant. Also, during the current fiscal year, the Township issued refunding bonds in the Fire Fund in order to refinance \$6,355,000 of General Obligation Capital Improvement bonds. The refunding resulted in lower interest rates and provides a savings in interest expenditures of \$480 thousand over the next ten years. Conservative revenue projections, unfilled vacant positions, and carefully controlled spending resulted in favorable budget variances at year end.

Court Building Debt Service Fund - Beginning July 1, 2006, the Township entered into an agreement with the City of Mount Clemens and Harrison Township for the management, operation, and establishment of a common fund for the 41-B District Court. Since July 1, 2006, court operations are reflected in this common fund, which is not included in these financial statements. Each local community's common fund, building equity, and related bond debt shall be equal to the percentage of the number of case filings generated by that local community during the applicable period. As of December 31, 2011, the Township's share is 68 percent.

On August 1, 2006, \$13,500,000 of Township General Obligation Limited Tax Capital Improvement Bonds was issued for the construction of a new court building which is located in Clinton Township. The Court Building Debt Service Fund accounts for this debt service. It is intended that the debt service obligation for these bonds will be paid by the court from its revenue. Principal outstanding on this bond issue is \$12,300,000, with the last payment payable on April 1, 2031.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Water and Sewer Fund - The Water and Sewer Fund's financial performance, which has been sound for decades, faced some financial difficulties during the 2008-2009 fiscal year due to cost overruns related to capital projects, increased rates for water purchases and sewage treatment, a decline in consumption, and not passing on the water and sewer rate increases in the prior year. Due to the financial difficulties stated, the Township instituted an additional 20 percent rate increase to its customers beginning February 1, 2010. In July 2010, water and sewer rates were increased by 3.5 percent and an additional fixed charge was instituted to pay for sewer cost increases and for additional debt issued on the Township's behalf through the County of Macomb for water and sewage disposal systems projects. In August 2011, water and sewer rates were increased an additional 9.3 percent, which was the result of passing along the increase from the City of Detroit. The fixed charges were also increased during the current fiscal year. Additional debt issued on behalf of the Township during the last fiscal year was approximately \$22 million and another \$6.8 million during this fiscal year. The Township purchases 99 percent of its water from the City of Detroit and sewage treatment services are also provided by the City of Detroit through an operating agreement with the County of Macomb. The Township has adopted the policy of annually reviewing its water and sewer rates and passing along cost increases, including increases received from Detroit, to its customers. Despite this policy, the Township maintains water and sewer rates that are very competitive with neighboring communities. The system has enjoyed steady growth, ongoing and aggressive maintenance, and sound coverage of its debt.

For the fiscal year ended March 31, 2012, water and sewer operating revenue increased by 9.0 percent which is consistent with the increase to the water and sewer rate increases and the additional revenue generated by the fixed charge. Water consumption during the year was down 2.4 percent. Operating expenses increased by 8.9 percent which is consistent with the increases in the water purchases and sewage treatment rate increases from the City of Detroit. Another contributing factor in the increase in operating expenses was an increase in the repair and maintenance costs. While general and administrative costs were increased, it was offset by a decrease in salary and fringe benefit costs due to staffing reductions over the past two fiscal years. The current year reflects a net nonoperating expenditure, which in the prior year was a net nonoperating revenue, which is mainly due to a significant increase in the interest expenditures related to the additional bond debt that the Township has taken on. Contributions of water lines from developers of remain significantly lower than prior years.

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

The apartment complex is designed primarily for independent, middle-income seniors. During the fiscal year ended March 31, 2010, the complex includes 188 one-bedroom and 124 two-bedroom apartments with monthly rents (including maintenance fee) set between \$470 and \$550 for current residents, respectively, and between \$500 and \$580 for incoming residents, respectively.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

In addition to its normal operating expenditures, bonds were issued by the Township during the previous fiscal year, of which \$312,500 was earmarked for siding replacement on the Heritage Estates buildings. The bond proceeds along with a federal grant (the Energy Efficiency and Conservation Block grant for \$670,950) was used in this fiscal year to complete the siding replacement project. The Senior Housing Fund received a subsidy of \$145 thousand from the General Fund, for the first time since its inception, to provide for current year expenditures not being met by current year revenue.

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

Currently, single-family sanitation customers pay \$13 per month. The fiscal year ended March 31, 2010 saw the first increase in rates since February 2001. Residential customers pay approximately 75 percent of total rubbish charges collected.

The Sanitation Fund's net assets have increased by \$376 thousand. The rate increase instituted on February 1, 2010 provided the funding needed in this fund to avoid future decreases in net assets. During this 2010-2011 fiscal year, the Township sought bids for refuse service. This resulted in the hiring of a new waste hauling company at a cost savings of 5 percent below the previous vendor.

The value of the Township's equity in the Grosse Pointe Clinton Authority, a joint venture between Clinton Township, Grosse Pointe City, Grosse Pointe Farms, Grosse Pointe Park, Grosse Pointe Shores, Grosse Pointe Woods, Harper Woods, and Mount Clemens, decreased by \$49,551.

Capital Asset and Debt Administration

The Township's investment in capital assets devoted to its governmental activities had a \$69.1 million historical cost invested in a wide range of capital assets, including land, buildings and improvements, furniture, equipment, and vehicles. Net capital assets net of accumulated depreciation amount to \$40.1 million.

The Township's investment in capital assets devoted to its business-type activities had \$222.7 million historical cost invested in a wide range of capital assets, including land, buildings and improvements, furniture, equipment, construction in progress, and vehicles. Also included in that total is the Township's investment in infrastructure such as water mains, sewer lines, and water meters. Additions during the year totaled \$4.8 million, resulting primarily from water main and sanitary sewer replacements and improvements.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

As of March 31, 2012, the Township had approximately \$181.7 million in capital assets, net of accumulated depreciation (see Note 3 of the notes to the basic financial statements for additional information).

The Township issued 2010 Capital Improvement Limited Tax General Obligation Bonds in the amount of \$2.5 million during the 2010-2011 fiscal year for the purpose of acquiring and constructing certain capital improvements consisting of the acquisition, construction, and furnishing of a new Department of Public Works facility, together with related equipment, site improvements, appurtenances and attachments thereto, and the renovation and equipping of the Heritage Estates senior housing facility. The Township's latest government bond rating occurred in September 2010 when Standard & Poor's Rating Services (S&P) assigned their municipal bond ratings of "AA" to the issue of the 2010 Limited Tax General Obligation Bonds. Included in the long-term debt for governmental activities are the 41-B District Court General Obligation Bonds, which were issued for the construction and furnishing of the new court building. Also included in the governmental activities are general obligation bonds for the construction and improvement of Township buildings.

Included in the long-term debt for business-type activities are Water Supply and Sewage Disposal System Revenue Bonds for acquiring and constructing additions, extensions, and improvements to the Township's Water Supply and Sewage Disposal System, and Special Assessment Limited Tax Bonds for the purpose of defraying the cost of public improvements in certain special assessment districts in the Township. During the fiscal year, additional debt was issued on behalf of the Township water and sewer system totaling \$6,796,366 for the Oakland-Macomb Interceptor Drainage District and the Macomb Interceptor Drainage District with the debt being applied on a percentage basis to each participating community (see Note 5 of the notes to the basic financial statements for additional information).

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Economic Factors and Future Budgets

The Township is facing the same daunting challenges that are globally facing cities, villages, and townships throughout the state of Michigan. The state of Michigan economy continues to experience a slow recovery, high unemployment, home foreclosures, and significant decreases in property assessed values. There remains a structural funding problem facing communities in Michigan. The two major funding sources for the Township are property taxes and state-shared revenue. Both sources have shown significant declines over the past several years with no increases in funding expected for the next several years. Despite a reduction of 92 positions since 2002, continued expenditure reductions will be needed to offset the revenue shortfall. The Township continues to review all open positions. In addition, the Township was able to successfully negotiate the equivalent of a 5 percent total compensation concession from all unions. Concessions consisted of changes to the health insurance paid by the Township, higher employee contributions into the pension systems, employee retiree healthcare contributions, and unpaid furlough days. New hire concessions consisting of retiree healthcare savings accounts with employee contributions, and lower pension multipliers will also help reduce future expenditures. During the current fiscal year, the Township complied with Public Act 152 (Publicly Funded Health Insurance Contribution Act), which was enacted to limit a public employer's expenditures for employee medical benefit plans. The Township opted for the hardcap provision which caps the employer contributions to medical benefit plans offered to employees. The Township government exists to provide services to its residents and therefore, its primary costs are personnel related. For the past several years, governmental activities have struggled to keep a balanced budget since revenue, led by property taxes and state-shared revenue, could not keep pace with increases in expenditures such as compensation, health care, retiree health care, pension, utilities, and gasoline. The conditions of the state and local economies were key factors considered in the preparation of the Township's fiscal year 2012-2013 budget. The following significant issues were weighed in the budget process:

- * Increases in healthcare costs
- * Funding for the liability related to future retiree healthcare expenditures
- * Slow recovery of Michigan economy, high unemployment, home foreclosure rates, and a significant decrease in property assessed values
- * State of Michigan policy decision to shift revenue-sharing funding away from municipalities

Through the use of long-term planning, the Township will continue to balance its budget. Amid the steeply declining revenue affecting all communities, the Township continues to review all possible expenditure savings options as it prepares future budgets and in negotiating current and future labor contracts.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Property Tax Revenue

Property assessments have declined in the past two years and continued decreases are anticipated for 2012 and beyond. As a result of a decline in home prices, residential property assessments have decreased by 18 percent over the past three years. Further assessment declines will occur in 2012 and beyond, resulting in continued declining revenue to the Township. Additionally, when the housing market does recover, under Proposal A, taxable value losses will recover at a slower pace due to the mandated inflationary cap on property assessments.

State Revenue Sharing

The Township's second largest revenue source is state-shared revenue, which is distributed to communities from sales tax receipts collected by the State of Michigan. State-shared revenue, which provides 50 percent of the General Fund's revenue, continues at the reduced levels of recent years as the State of Michigan struggles to balance its budget. The State has cut the Township's revenue sharing for nine consecutive years. The Township received \$3.2 million less in the 2011-2012 fiscal year than it received in the 2002-2003 fiscal year. State-shared revenue reductions equate to \$24.6 million cumulatively since 2002-2003 despite growing population and inflationary increases. The Township anticipates revenue-sharing payments to remain at the reduced levels due to the State's continued structural deficit problems and recent policy decisions being made to shift revenue-sharing funding away from municipalities.

Future Strategies Necessary

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

Charter Township of Clinton

Statement of Net Assets March 31, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 55,186,982	\$ 8,772,837	\$ 63,959,819	\$ 422,939
Receivables:				
Taxes - Net of reserve for uncollectible taxes	2,415,041	-	2,415,041	-
Customers	33,907	5,530,302	5,564,209	-
Other	1,068,003	169	1,068,172	-
Due from other governmental units	6,765,041	395,669	7,160,710	-
Special assessments - Current	-	47,852	47,852	-
Due from component units	14,491	-	14,491	-
Internal balances (Note 4)	(344,616)	344,616	-	-
Inventories	-	343,280	343,280	-
Prepaid costs and other	1,078,888	23,555	1,102,443	-
Restricted assets (Note 6)	-	9,267,378	9,267,378	-
Investment in joint ventures (Note 12)	1,459,609	611,828	2,071,437	-
Net other postemployment benefit asset (Note 9)	744,381	-	744,381	-
Capital assets:				
Not depreciated (Note 3)	3,496,611	9,741,191	13,237,802	-
Depreciated - Net (Note 3)	36,574,373	131,905,201	168,479,574	776,434
Other amortizable noncurrent assets	-	945,562	945,562	-
Special assessment - Net of current portion	-	462,771	462,771	-
Total assets	108,492,711	168,392,211	276,884,922	1,199,373
Liabilities				
Vouchers payable	923,768	2,461,231	3,384,999	6,841
Due to primary government	-	-	-	14,491
Accrued and other liabilities	3,016,957	379,948	3,396,905	-
Deferred revenue (Note 11)	44,940	-	44,940	-
Noncurrent liabilities:				
Due within one year (Note 5)	3,236,773	3,339,303	6,576,076	-
Due in more than one year (Note 5)	29,998,014	47,611,235	77,609,249	-
Total liabilities	37,220,452	53,791,717	91,012,169	21,332
Net Assets				
Invested in capital assets - Net of related debt	18,351,669	99,738,803	118,090,472	776,434
Restricted for:				
Fire department services	15,653,035	-	15,653,035	-
Police department services	21,715,517	-	21,715,517	-
Street light services	348,179	-	348,179	-
Drug forfeiture activities	532,552	-	532,552	-
Debt service	138,208	264,023	402,231	-
Bond covenants (Note 6)	-	1,562,556	1,562,556	-
Drainage services	354,251	-	354,251	-
DEA task force	20,756	-	20,756	-
Transportation	100,000	-	100,000	-
Accumulated long-term health benefits	546,613	-	546,613	-
Unrestricted	13,511,479	13,035,112	26,546,591	401,607
Total net assets	\$ 71,272,259	\$ 114,600,494	\$ 185,872,753	\$ 1,178,041

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

Charter Township of Clinton

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,186,633	\$ 204,541	\$ 2,513,541	\$ 3,125
Public safety	35,207,288	1,753,575	1,569,928	31,751
Public works	4,759,106	1,089,819	-	-
Community and economic development	692,817	-	-	-
Recreation and senior activities	2,507,159	539,402	-	-
Interest on long-term debt	1,340,732	-	-	-
Total governmental activities	47,693,735	3,587,337	4,083,469	34,876
Business-type activities:				
Water and sewer	27,365,628	30,212,027	303,296	164,982
Senior housing	1,530,315	1,909,687	-	-
Sanitation	3,770,569	4,144,847	-	-
Special assessments	39,578	-	-	-
Total business-type activities	32,706,090	36,266,561	303,296	164,982
Total primary government	\$ 80,399,825	\$ 39,853,898	\$ 4,386,765	\$ 199,858
Component units:				
Economic Development Corporation	\$ 9,398	\$ -	\$ -	\$ -
Downtown Development Authority	106,581	-	-	-
Total component units	\$ 115,979	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
State-shared revenue				
Interest and investment earnings				
Other miscellaneous income				
Gain on sale of fixed assets				
Income from joint venture				
Total general revenue				
Transfers (Note 4)				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended March 31, 2012

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (465,426)	\$ -	\$ (465,426)	\$ -
(31,852,034)	-	(31,852,034)	-
(3,669,287)	-	(3,669,287)	-
(692,817)	-	(692,817)	-
(1,967,757)	-	(1,967,757)	-
(1,340,732)	-	(1,340,732)	-
(39,988,053)	-	(39,988,053)	-
-	3,314,677	3,314,677	-
-	379,372	379,372	-
-	374,278	374,278	-
-	(39,578)	(39,578)	-
-	4,028,749	4,028,749	-
(39,988,053)	4,028,749	(35,959,304)	-
-	-	-	(9,398)
-	-	-	(106,581)
-	-	-	(115,979)
32,454,464	-	32,454,464	172,801
7,073,613	-	7,073,613	-
58,618	82,990	141,608	954
3,083,270	-	3,083,270	-
360,790	100,000	460,790	-
115,250	-	115,250	-
43,146,005	182,990	43,328,995	173,755
(789,796)	789,796	-	-
2,368,156	5,001,535	7,369,691	57,776
68,904,103	109,598,959	178,503,062	1,120,265
\$ 71,272,259	\$ 114,600,494	\$ 185,872,753	\$ 1,178,041

Charter Township of Clinton

Governmental Funds Balance Sheet March 31, 2012

	Major Special Revenue Funds			Major Debt Service Fund	Other	Total
	General Fund	Fire Fund	Police Fund	Court Building Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments (Note 2)	\$ 11,833,575	\$ 15,264,783	\$ 21,190,511	\$ -	\$ 6,898,113	\$ 55,186,982
Receivables:						
Taxes	421,058	834,168	1,089,182	-	70,633	2,415,041
Customers	-	-	-	-	33,907	33,907
Other	578,343	15,582	474,078	-	-	1,068,003
Due from other governmental units	1,805,182	905,972	-	3,936,000	117,887	6,765,041
Due from component units	14,491	-	-	-	-	14,491
Due from other funds (Note 4)	2,149,052	-	-	-	-	2,149,052
Prepaid costs and other	851,198	9,606	22,511	-	6,358	889,673
Total assets	\$ 17,652,899	\$ 17,030,111	\$ 22,776,282	\$ 3,936,000	\$ 7,126,898	\$ 68,522,190
Liabilities and Fund Balances						
Liabilities						
Vouchers payable	\$ 351,230	\$ 109,861	\$ 413,544	\$ -	\$ 49,133	\$ 923,768
Due to other funds (Note 4)	45,111	906,313	-	-	1,542,244	2,493,668
Accrued and other liabilities	1,280,953	360,902	602,281	-	27,743	2,271,879
Deferred revenue (Note 11)	598,564	905,972	44,940	3,936,000	-	5,485,476
Total liabilities	2,275,858	2,283,048	1,060,765	3,936,000	1,619,120	11,174,791
Fund Balances						
Nonspendable - Prepaids	851,198	9,606	22,511	-	6,358	889,673
Restricted:						
Drainage	-	-	-	-	354,251	354,251
Police (\$12,747,188 for 2013 operations)	-	-	21,693,006	-	20,756	21,713,762
Fire (\$781,000 to purchase fire truck, \$8,940,735 for 2013 operations)	-	14,737,457	-	-	-	14,737,457
Debt service	-	-	-	-	138,208	138,208
Drug forfeiture	-	-	-	-	526,194	526,194
Street lighting	-	-	-	-	348,179	348,179
Accumulated long-term health benefits	546,613	-	-	-	-	546,613
Capital projects	-	-	-	-	1,983,268	1,983,268
Transportation	-	-	-	-	100,000	100,000
Assigned:						
For subsequent year's budget	166,068	-	-	-	-	166,068
Workers' compensation claims	250,000	-	-	-	-	250,000
Accumulated long-term benefits	416,068	-	-	-	-	416,068
Capital projects (Note 13)	-	-	-	-	2,030,564	2,030,564
Unassigned	13,147,094	-	-	-	-	13,147,094
Total fund balances	15,377,041	14,747,063	21,715,517	-	5,507,778	57,347,399
Total liabilities and fund balances	\$ 17,652,899	\$ 17,030,111	\$ 22,776,282	\$ 3,936,000	\$ 7,126,898	\$ 68,522,190

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

Charter Township of Clinton

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets March 31, 2012

Fund Balance Reported in Governmental Funds	\$ 57,347,399
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	40,070,984
Investments in joint ventures are not financial resources and are not reported in the funds	1,459,609
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures	5,440,536
Notes and bonds payable are not due and payable in the current period and are not reported in the funds	(29,237,583)
Accrued interest is not due and payable in the current period and is not reported in the funds	(68,219)
Accrued workers' compensation liability is not reported in the governmental funds	(676,859)
Net other postemployment benefit asset is not reported in the governmental funds	744,381
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(3,997,204)
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	<u>189,215</u>
Net Assets of Governmental Activities	<u>\$ 71,272,259</u>

Charter Township of Clinton

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2012

	Major Special Revenue Funds			Major Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Fire Fund	Police Fund	Court Building Debt Service Fund		
Revenue						
Property taxes	\$ 2,327,466	\$ 12,571,254	\$ 16,287,899	\$ -	\$ 1,462,854	\$ 32,649,473
Licenses and permits	1,140,103	-	54,699	-	-	1,194,802
Federal sources	20,456	374,703	99,139	-	1,458,906	1,953,204
State sources	7,261,559	-	221,865	-	-	7,483,424
Fines and forfeitures	-	-	-	-	221,659	221,659
Interest	23,487	29,022	41,959	-	6,109	100,577
Other revenue	3,834,543	121,988	866,589	798,200	414,946	6,036,266
Total revenue	14,607,614	13,096,967	17,572,150	798,200	3,564,474	49,639,405
Expenditures						
Current:						
General government	4,832,371	-	-	-	600,070	5,432,441
Public safety	1,086,559	12,883,248	17,766,006	-	237,906	31,973,719
Public works	3,553,650	-	-	-	694,448	4,248,098
Community and economic development	399,988	-	-	-	292,829	692,817
Recreation and senior activities	2,177,211	-	-	-	-	2,177,211
Capital outlay	-	-	-	-	74,081	74,081
Debt service:						
Principal	-	390,000	-	250,000	1,091,414	1,731,414
Interest	79,253	247,368	-	548,200	404,185	1,279,006
Total expenditures	12,129,032	13,520,616	17,766,006	798,200	3,394,933	47,608,787
Excess of Revenue Over (Under) Expenditures	2,478,582	(423,649)	(193,856)	-	169,541	2,030,618
Other Financing Sources (Uses)						
Face value of debt issue	-	6,355,000	-	-	-	6,355,000
Proceeds from sale of capital assets	318,779	215,000	11,750	-	-	545,529
Transfers in (Note 4)	-	-	396,400	-	337,710	734,110
Transfers out (Note 4)	(482,710)	-	-	-	(1,041,196)	(1,523,906)
Payment to bond refunding escrow agent	-	(6,464,186)	-	-	-	(6,464,186)
Total other financing (uses) sources	(163,931)	105,814	408,150	-	(703,486)	(353,453)
Net Change in Fund Balances	2,314,651	(317,835)	214,294	-	(533,945)	1,677,165
Fund Balances - Beginning of year	13,062,390	15,064,898	21,501,223	-	6,041,723	55,670,234
Fund Balances - End of year	\$ 15,377,041	\$ 14,747,063	\$ 21,715,517	\$ -	\$ 5,507,778	\$ 57,347,399

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, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ 1,677,165
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay and donated assets	645,669
Depreciation expense	(2,358,557)
Net book value of assets disposed of	(184,739)
Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	622,294
Loan proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets	(6,355,000)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	8,134,518
Interest expense is recorded in the statement of activities when incurred; it is not reported in the governmental funds until paid	9,315
The net other postemployment benefit asset is increased by the difference between the actuarial required contributions for postemployment benefits compared to the actual contributions remitted	40,877
Increase in accumulated workers' compensation accrual decreases net assets in the statement of activities	(17,315)
Debt issuance costs are expensed when incurred in the governmental funds; they are capitalized and amortized over the life of the loan in the statement of activities	(9,959)
Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	48,638
Income from joint ventures is not recorded in the funds	115,250
Change in Net Assets of Governmental Activities	<u>\$ 2,368,156</u>

Charter Township of Clinton

Proprietary Funds Statement of Net Assets March 31, 2012

	Major Funds			Nonmajor Proprietary Fund	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	
Assets					
Current assets:					
Cash and investments (Note 2)	\$ 7,428,995	\$ 43,534	\$ 815,963	\$ 484,345	\$ 8,772,837
Receivables:					
Special assessments	-	-	-	47,852	47,852
Customers	4,719,289	-	811,013	-	5,530,302
Other	-	169	-	-	169
Due from other governmental units	395,669	-	-	-	395,669
Due from other funds (Note 4)	45,111	299,505	102	-	344,718
Inventories	343,280	-	-	-	343,280
Prepaid costs and other	13,249	10,306	-	-	23,555
Total current assets	<u>12,945,593</u>	<u>353,514</u>	<u>1,627,078</u>	<u>532,197</u>	<u>15,458,382</u>
Noncurrent assets:					
Restricted assets (Note 6)	9,267,378	-	-	-	9,267,378
Special assessment - Net of current portion	-	-	-	462,771	462,771
Investment in joint ventures (Note 12)	-	-	611,828	-	611,828
Capital assets - Net (Note 3)	130,255,006	11,285,795	105,591	-	141,646,392
Bond issuance costs	945,562	-	-	-	945,562
Total noncurrent assets	<u>140,467,946</u>	<u>11,285,795</u>	<u>717,419</u>	<u>462,771</u>	<u>152,933,931</u>
Total assets	<u>153,413,539</u>	<u>11,639,309</u>	<u>2,344,497</u>	<u>994,968</u>	<u>168,392,313</u>
Liabilities					
Current liabilities:					
Vouchers payable	2,104,684	5,646	349,956	945	2,461,231
Due to other funds (Note 4)	102	-	-	-	102
Accrued and other liabilities	162,376	217,572	-	-	379,948
Compensated absences - Less than one year (Note 5)	74,297	-	-	-	74,297
Current portion of long-term debt (Note 5)	2,128,299	926,707	-	210,000	3,265,006
Total current liabilities	<u>4,469,758</u>	<u>1,149,925</u>	<u>349,956</u>	<u>210,945</u>	<u>6,180,584</u>
Noncurrent liabilities:					
Compensated absences - Greater than one year (Note 5)	173,361	-	-	-	173,361
Refundable bonds and deposits (Note 5)	250,198	103,910	-	-	354,108
Long-term debt (Note 5)	41,241,255	5,322,511	-	520,000	47,083,766
Total noncurrent liabilities	<u>41,664,814</u>	<u>5,426,421</u>	<u>-</u>	<u>520,000</u>	<u>47,611,235</u>
Total liabilities	<u>46,134,572</u>	<u>6,576,346</u>	<u>349,956</u>	<u>730,945</u>	<u>53,791,819</u>
Net Assets					
Invested in capital assets - Net of related debt	94,590,274	5,042,938	105,591	-	99,738,803
Restricted for:					
Debt service	-	-	-	264,023	264,023
Bond covenants (Note 6)	1,562,556	-	-	-	1,562,556
Unrestricted	11,126,137	20,025	1,888,950	-	13,035,112
Total net assets	<u>\$ 107,278,967</u>	<u>\$ 5,062,963</u>	<u>\$ 1,994,541</u>	<u>\$ 264,023</u>	<u>\$ 114,600,494</u>

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

Charter Township of Clinton

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2012

	Major Funds			Nonmajor Proprietary Fund	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	
Operating Revenue					
Charges for sales and services	\$ 29,335,058	\$ -	\$ 4,141,627	\$ -	\$ 33,476,685
Rent	-	1,890,618	-	-	1,890,618
Other	393,058	19,069	3,220	-	415,347
Total operating revenue	29,728,116	1,909,687	4,144,847	-	35,782,650
Operating Expenses					
Cost of water and sewage disposal	14,894,058	-	-	-	14,894,058
Operation and maintenance	1,291,632	817,545	3,702,739	5,036	5,816,952
General and administrative	2,114,605	-	-	-	2,114,605
Salaries and fringe benefits	4,075,501	-	-	-	4,075,501
Depreciation	3,558,358	364,374	18,279	-	3,941,011
Total operating expenses	25,934,154	1,181,919	3,721,018	5,036	30,842,127
Operating Income (Loss)	3,793,962	727,768	423,829	(5,036)	4,940,523
Nonoperating Revenue (Expenses)					
Investment income	39,571	-	1,460	41,959	82,990
Interest expense	(1,382,616)	(348,396)	-	(34,542)	(1,765,554)
Other nonoperating expenses	(48,858)	-	(49,551)	-	(98,409)
Gain from sale of asset	100,000	-	-	-	100,000
Debt, capital charges, and tap fees	483,911	-	-	-	483,911
Federal interest subsidy	303,296	-	-	-	303,296
Income - Before contributions and transfers	3,289,266	379,372	375,738	2,381	4,046,757
Capital Contributions - Lines donated by developers and other governmental units	164,982	-	-	-	164,982
Transfers In from Other Funds (Note 4)	-	789,796	-	-	789,796
Increase in Net Assets	3,454,248	1,169,168	375,738	2,381	5,001,535
Net Assets - Beginning of year	103,824,719	3,893,795	1,618,803	261,642	109,598,959
Net Assets - End of year	\$ 107,278,967	\$ 5,062,963	\$ 1,994,541	\$ 264,023	\$ 114,600,494

Charter Township of Clinton

Proprietary Funds Statement of Cash Flows Year Ended March 31, 2012

	Major Funds			Nonmajor Proprietary Fund	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	
Cash Flows from Operating Activities					
Receipts from customers	\$ 28,935,622	\$ 1,922,682	\$ 4,255,810	\$ 219,412	\$ 35,333,526
Payments to suppliers	(18,108,273)	(724,791)	(3,331,298)	(4,091)	(22,168,453)
Payments to employees	(4,161,710)	-	(309,950)	-	(4,471,660)
Net cash provided by operating activities	6,665,639	1,197,891	614,562	215,321	8,693,413
Cash Flows from Noncapital Financing Activities					
Operating grants and subsidies	354,186	-	-	-	354,186
Transfers from other funds	-	789,796	-	-	789,796
Net cash provided by noncapital financing activities	354,186	789,796	-	-	1,143,982
Cash Flows from Capital and Related Financing Activities					
Proceeds from sales of capital assets	100,000	-	-	-	100,000
Purchase of capital assets	(2,353,436)	(950,935)	-	-	(3,304,371)
Principal, issuance costs, and interest paid on capital debt	(3,580,870)	(1,250,545)	-	(244,542)	(5,075,957)
Collection of debt, capital charges, and tap fees	483,911	-	-	-	483,911
Net cash used in capital and related financing activities	(5,350,395)	(2,201,480)	-	(244,542)	(7,796,417)
Cash Flows from Investing Activities -					
Interest received on investments	39,571	-	1,460	41,959	82,990
Net Increase (Decrease) in Cash and Cash Equivalents	1,709,001	(213,793)	616,022	12,738	2,123,968
Cash and Cash Equivalents - Beginning of year	7,282,550	257,327	199,941	471,607	8,211,425
Cash and Cash Equivalents - End of year	\$ 8,991,551	\$ 43,534	\$ 815,963	\$ 484,345	\$ 10,335,393

Charter Township of Clinton

Proprietary Funds Statement of Cash Flows (Continued) Year Ended March 31, 2012

	Major Funds			Nonmajor Proprietary Fund	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	
Balance Sheet Classification of Cash and Cash Equivalents					
Cash and investments per balance sheet	\$ 7,428,995	\$ 43,534	\$ 815,963	\$ 484,345	\$ 8,772,837
Restricted cash and cash investments	1,562,556	-	-	-	1,562,556
Total cash and cash equivalents	<u>\$ 8,991,551</u>	<u>\$ 43,534</u>	<u>\$ 815,963</u>	<u>\$ 484,345</u>	<u>\$ 10,335,393</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 3,793,962	\$ 727,768	\$ 423,829	\$ (5,036)	\$ 4,940,523
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	3,558,358	364,374	18,279	-	3,941,011
Changes in assets and liabilities:					
Receivables	(313,302)	23,788	807	246,505	(42,202)
Due from others	-	12,995	110,156	2,500	125,651
Inventories	(35,701)	-	-	-	(35,701)
Prepaid and other assets	2,323	-	-	-	2,323
Accounts payable	191,246	68,966	61,491	945	322,648
Due to others	(445,814)	-	-	(29,593)	(475,407)
Accrued and other liabilities	(85,433)	-	-	-	(85,433)
Net cash provided by operating activities	<u>\$ 6,665,639</u>	<u>\$ 1,197,891</u>	<u>\$ 614,562</u>	<u>\$ 215,321</u>	<u>\$ 8,693,413</u>
Significant Noncash Investing and Financing Transactions					
Contribution of capital assets from developers and other funds	\$ 164,982	\$ -	\$ -	\$ -	\$ 164,982
Capital asset additions related to County interceptor projects	8,828,890	-	-	-	8,828,890

Charter Township of Clinton

Fiduciary Funds Statement of Net Assets March 31, 2012

	Pension and Other Employee Benefit Trust Funds	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 603,676	\$ 696,083
Investments:		
Bank investment pools	6,596,863	-
Money market funds	3,521,656	-
U.S. Treasury notes	2,653,926	-
Mutual funds	44,281,090	-
Common stock	34,686,108	-
U.S. government agency securities	3,575,448	-
Corporate bonds	12,719,857	-
Hedge funds	9,086,336	-
Real estate investment trusts	2,630,386	-
Limited partnerships	14,545,075	-
Receivables	-	245
Prepaid costs and other	431,789	-
	<u>135,332,210</u>	<u>\$ 696,328</u>
Liabilities		
Benefits payable and other liabilities	2,998,882	\$ -
Refundable bonds and deposits	-	696,328
Collateral for securities lending	2,893,058	-
	<u>5,891,940</u>	<u>\$ 696,328</u>
Net Assets Held in Trust for Pension Systems and Other Employee Benefits	<u>\$ 129,440,270</u>	

Charter Township of Clinton

Fiduciary Funds Statement of Changes in Net Assets Year Ended March 31, 2012

	<u>Pension and Other Employee Benefit Trust Funds</u>
Additions	
Investment income (loss):	
Interest and dividends	\$ 2,870,337
Net depreciation in fair value of investments	(2,500,426)
Investment expenses	(608,620)
Securities lending income:	
Interest and fees	6,530
Less borrower rebates and fees	<u>(1,329)</u>
Net securities lending income	5,201
Contributions:	
Township	7,751,823
Employee	<u>1,024,551</u>
Total contributions	<u>8,776,374</u>
Total additions	8,542,866
Deductions	
Benefit payments and annuity withdrawals	9,862,386
Administrative expenses	<u>42,548</u>
Total deductions	<u>9,904,934</u>
Net Decrease in Net Assets Held in Trust	(1,362,068)
Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>130,802,338</u>
Net Assets Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 129,440,270</u></u>

Charter Township of Clinton

Component Units Statement of Net Assets March 31, 2012

	Economic Development Corporation	Downtown Development Authority	Total
Assets			
Cash and investments (Note 2)	\$ 106,066	\$ 316,873	\$ 422,939
Receivables:			
Capital assets being depreciated - Net (Note 3)	-	776,434	776,434
Total assets	106,066	1,093,307	1,199,373
Liabilities			
Vouchers payable	-	6,841	6,841
Due to primary government	12,514	1,977	14,491
Total liabilities	12,514	8,818	21,332
Net Assets			
Invested in capital assets - Net of related debt	-	776,434	776,434
Unrestricted	93,552	308,055	401,607
Total net assets	<u>\$ 93,552</u>	<u>\$ 1,084,489</u>	<u>\$ 1,178,041</u>

Charter Township of Clinton

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Economic Development Corporation - Public works	\$ 9,398	\$ -	\$ -	\$ -
Downtown Development Authority - Public works	106,581	-	-	-
Total component units	\$ 115,979	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
Interest and investment earnings				
Total general revenue				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

**Component Units
Statement of Activities
Year Ended March 31, 2012**

Net (Expense) Revenue and Changes in Net Assets		
Economic Development Corporation	Downtown Development Authority	Total
\$ (9,398)	\$ -	\$ (9,398)
-	(106,581)	(106,581)
(9,398)	(106,581)	(115,979)
-	172,801	172,801
960	(6)	954
960	172,795	173,755
(8,438)	66,214	57,776
101,990	1,018,275	1,120,265
\$ 93,552	\$ 1,084,489	\$ 1,178,041

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

Note I - Nature of Business and Significant Accounting Policies

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

Reporting Entity

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

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

Blended Component Unit

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

Discretely Presented Component Units

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

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

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

Government-wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Fire Special Revenue Fund accounts for the resources from property tax revenue that are restricted for all of the activities of the Township's fire department, except for construction activity and equipment purchased in the Fire Facility Capital Projects Fund.
- The Police Special Revenue Fund accounts for the resources from property tax revenue that are restricted for all of the activities of the Township's police department, except for construction activity and equipment purchased in the Police Facility Capital Projects Fund.

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

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

- 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 Township reports the following major proprietary funds:

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

Additionally, the Township reports the following fund types:

- The Pension and Other Employee Benefit Trust Funds account for the activities of employee benefit plans that accumulate resources for pension and other postemployment benefit payments to qualified employees.
- The Agency Funds account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, and other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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

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

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

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

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

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

Property Tax Revenue

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

The 2011 taxable valuation (real and personal property) of the Township totaled \$2,726,832,516, on which ad valorem taxes levied consisted of .8245 mills for the Township's operating purposes, .9783 mills for fire operating purposes, 1.50 mills for police operating purposes, and .40 mills for the retirement of police building debt. The ad valorem taxes generated \$2,248,273 for general operations, \$2,667,660 for fire operations, \$4,090,249 for police operations, and \$1,090,733 for police building debt retirement. The 2011 real property taxable valuation of the Township totaled \$2,540,461,516, on which special assessments levied consisted of 5 mills for police operations and 4 mills for fire operations. The special assessment levies generated \$12,702,308 for police operations and \$10,161,846 for fire operations. The industrial facilities tax roll generated \$20,081 for general operations, \$96,744 for police operations, \$71,995 for fire operations, and \$9,742 for police building debt retirement. These amounts are recorded in their respective funds as tax revenue.

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

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

Assets, Liabilities, and Net Assets or Equity

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

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

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

Restricted Assets - The revenue bonds of the enterprise fund require amounts to be set aside for a bond reserve. The amount has been classified as a restricted asset.

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

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, \$255,521 of interest expense was capitalized as part of the cost of assets under construction.

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

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

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

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

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

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures. The general fund and debt service funds are generally used to liquidate governmental long-term debt.

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

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

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

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

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

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

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

Cumulative expenditures over revenue - April 1, 2011		\$ (4,818,000)
Fiscal 2012 building department activity:		
Permit revenue	\$ 1,140,000	
Expenditures	<u>(1,202,000)</u>	
Excess of expenditures over revenue		<u>(62,000)</u>
Cumulative expenditures over revenue - March 31, 2012		<u>\$ (4,880,000)</u>

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Township has designated 16 financial institutions for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above.

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

Note 2 - Deposits and Investments (Continued)

As permitted by state statutes, and under the provisions of a Securities Lending Authorization Agreement, the Fire and Police Pension System Trust Fund lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Fire and Police Pension System's custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended March 31, 2012, only United States currency was received as collateral.

The Police and Fire Pension System did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or the custodial bank. The Police and Fire Pension System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of March 31, 2012 was one day. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On March 31, 2012, 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, 2012 were \$2,893,058 and \$2,825,860, 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 \$71 million of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized as they exceeded the limits of FDIC insurance or were not held with a financial institution participating in the temporary liquidity guarantee program. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

Note 2 - Deposits and Investments (Continued)

Custodial Credit Risk - Pension and Retiree Health Care Funds - The Township's pension trust fund does not have an investment policy for custodial credit risk. At year end, the Township's pension trust fund had no bank deposits (checking and savings accounts) that were uninsured and uncollateralized.

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	\$ 12,719,857	Counterparty
Real estate investment trusts	2,630,386	Counterparty
Limited partnerships	14,545,075	Counterparty
Equity securities	34,686,108	Counterparty
Foreign mutual funds	9,982,212	Counterparty
Mutual funds	12,405,691	Counterparty
United States Treasury bonds	2,653,926	Counterparty
United States government agencies	3,575,448	Counterparty
Total uninsured and unregistered	<u>\$ 93,198,703</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 Pension Trust Funds	Less Than 6 Years	6-15 Years	Greater Than 15 Years
Bank investment pool	\$ 6,596,863	\$ 6,596,863	\$ -	\$ -
U.S. government or agency securities	6,229,374	1,093,680	843,759	4,291,935
Corporate bonds	12,719,857	4,926,486	3,652,906	4,140,465

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

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 are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pool	\$ 19,246,879	AAA	Moody's
Bank investment pool	32,849,865	Not rated	N/A
Bank investment pool	3,304,491	AAAm	Standard & Poor's
Corporate bonds	12,719,857	AAA - BBB-	Standard & Poor's
U.S. Treasury	2,653,926	Not rated	N/A
U.S. government agency	3,575,448	Not rated	N/A

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

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	\$ 23,018	Australian dollar
Foreign mutual fund holdings	345,852	Chilean peso
Foreign mutual fund holdings	103,737	Euro
Foreign mutual fund holdings	1,546,533	British pound
Foreign mutual fund holdings	468,949	Malaysian ringgit
Foreign mutual fund holdings	934,633	Mexican peso
Foreign mutual fund holdings	48,285	New Zealand dollar
Foreign mutual fund holdings	640,957	Polish zloty
Foreign mutual fund holdings	301,256	Singapore dollar
Foreign mutual fund holdings	370,834	South African rand
Foreign mutual fund holdings	461,131	South Korean won

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

Note 3 - Capital Assets

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

	Balance April 1, 2011	Additions	Disposals	Balance March 31, 2012
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 3,496,611	\$ -	\$ -	\$ 3,496,611
Capital assets being depreciated:				
Buildings and building improvements	41,707,169	99,225	-	41,806,394
Operating equipment	5,918,002	315,132	(340,496)	5,892,638
Vehicles	7,068,990	128,512	(551,768)	6,645,734
Office furniture and equipment	6,007,764	93,969	(476,893)	5,624,840
Land improvements	2,938,410	8,831	-	2,947,241
Infrastructure assets	2,715,851	-	-	2,715,851
Subtotal	66,356,186	645,669	(1,369,157)	65,632,698
Accumulated depreciation:				
Buildings and building improvements	10,813,602	1,106,567	-	11,920,169
Operating equipment	3,777,706	497,134	(284,422)	3,990,418
Vehicles	5,756,609	445,881	(423,103)	5,779,387
Office furniture and equipment	5,848,829	84,954	(476,893)	5,456,890
Land improvements	1,497,514	169,704	-	1,667,218
Infrastructure assets	189,926	54,317	-	244,243
Subtotal	27,884,186	2,358,557	(1,184,418)	29,058,325
Net capital assets being depreciated	38,472,000	(1,712,888)	(184,739)	36,574,373
Net capital assets	\$ 41,968,611	\$ (1,712,888)	\$ (184,739)	\$ 40,070,984

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

Note 3 - Capital Assets (Continued)

	Balance April 1, 2011	Additions	Disposals and Adjustments	Balance March 31, 2012
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Construction in progress	25,922,628	3,724,887	(20,906,324)	8,741,191
Subtotal	26,922,628	3,724,887	(20,906,324)	9,741,191
Capital assets being depreciated:				
Structures, mains, and laterals	166,062,416	20,711,520	-	186,773,936
Meters	4,605,944	8,685	-	4,614,629
Buildings and improvements	14,972,440	950,935	-	15,923,375
Equipment	2,146,534	211,457	-	2,357,991
Vehicles	2,049,811	414,235	(260,090)	2,203,956
Furniture and fixtures	721,181	-	-	721,181
Land improvements	349,173	-	-	349,173
Subtotal	190,907,499	22,296,832	(260,090)	212,944,241
Accumulated depreciation:				
Structures, mains, and laterals	63,830,438	3,187,129	-	67,017,567
Meters	3,450,436	209,430	-	3,659,866
Buildings and improvements	5,496,560	341,096	-	5,837,656
Equipment	1,872,890	71,111	-	1,944,001
Vehicles	1,874,277	104,140	(260,090)	1,718,327
Furniture and fixtures	707,700	4,826	-	712,526
Land improvements	125,819	23,278	-	149,097
Subtotal	77,358,120	3,941,010	(260,090)	81,039,040
Net capital assets being depreciated	<u>113,549,379</u>	<u>18,355,822</u>	<u>-</u>	<u>131,905,201</u>
Net capital assets	<u>\$ 140,472,007</u>	<u>\$ 22,080,709</u>	<u>\$ (20,906,324)</u>	<u>\$ 141,646,392</u>
	Balance April 1, 2011	Additions	Disposals and Adjustments	Balance March 31, 2012
Component Units				
Capital assets being depreciated -				
Land improvements	\$ 746,947	\$ 51,380	\$ -	\$ 798,327
Accumulated depreciation - Land improvements				
	<u>5,490</u>	<u>16,403</u>	<u>-</u>	<u>21,893</u>
Net capital assets being depreciated	<u>\$ 741,457</u>	<u>\$ 34,977</u>	<u>\$ -</u>	<u>\$ 776,434</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

Note 3 - Capital Assets (Continued)

Construction in progress includes:

- \$5,285,072 of drain improvements constructed by the Oakland-Macomb Interceptor Drainage District (OMID). This represents the Township's portion of total OMID improvements in the amount of \$74,230,000. These improvements will be completed by OMID using state revolving loan funds and bonded debt. See Note 5 for additional information.
- \$151,037 of drain improvements constructed by the Macomb County Waste Water District for the North Gratiot Interceptor which is the Township's portion of total improvements in the amount of \$39,305,000. See Note 5 for additional information.
- \$314,381 of drain improvements constructed by the Macomb Interceptor Drainage District (MID). This represents the Township's portion of total MID improvements in the amount of \$126,755,000. These improvements will be completed by MID using bonded debt. See Note 5 for additional information.

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

Governmental activities:

General government	\$ 248,609
Public safety	1,313,281
Public works	119,493
Recreation and senior activities	366,453
Infrastructure assets constructed by special assessment fund	<u>310,721</u>
Total governmental activities	<u>\$ 2,358,557</u>

Business-type activities:

Water and sewer	\$ 3,558,357
Sanitation	18,279
Senior housing	<u>364,374</u>
Total business-type activities	<u>\$ 3,941,010</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

Note 4 - Interfund Receivables, Payables, and Transfers

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Fund	\$ 906,313
	Other nonmajor funds	<u>1,242,739</u>
	Total General Fund	2,149,052
Sanitation Fund	Water and Sewer Fund	102
Water and Sewer Fund	General Fund	45,111
Senior Housing Fund	Other nonmajor funds	<u>299,505</u>
	Total	<u>\$ 2,493,770</u>

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

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

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Senior Housing Fund (1)	\$ 145,000
	Other nonmajor funds (1)	<u>337,710</u>
	Total General Fund	482,710
Other nonmajor funds	Police Fund (2)	396,400
	Senior Housing Fund (2)	<u>644,796</u>
	Total other nonmajor funds	<u>1,041,196</u>
	Total	<u>\$ 1,523,906</u>

(1) Transfer of discretionary funds for operational usage

(2) Transfer of discretionary funds for capital improvement projects

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

Note 5 - Long-term Debt

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

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

Installment purchase agreements are also general obligations of the government.

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

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

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

The Township financed a portion of a state-mandated project to construct water pollution control facilities through the Michigan State Revolving Loan Fund Program (SRF). A principal and interest payment schedule will be finalized upon completion of the project for the loan. The preliminary principal and interest payment schedule is used up to the amount of advances as of March 31, 2012. As a result, the payment schedule for the balance of the 20-year repayment period will increase as the funds are advanced.

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

Note 5 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
Building Authority Refunding Bonds - Series 1998:*						
Amount of issue - \$10,390,000 Maturing through 2017	4.75% - 5.50%	\$249,543 - \$315,945	\$ 1,859,256	\$ (240,975)	\$ 1,618,281	\$ 249,543
Police Building Bonds - Series 1998:						
Amount of issue - \$8,000,000 Maturing through 2018	4.00% - 4.75%	\$500,000 - \$725,000	4,025,000	(450,000)	3,575,000	500,000
Police Building Bonds - Series 1999:						
Amount of issue - \$5,900,000 Maturing through 2018	4.00%	\$400,000 - \$600,000	3,300,000	(350,000)	2,950,000	400,000
Fire Building Bonds - Series 2002:						
Amount of issue - \$8,500,000 Maturing through 2022	3.55% - 4.60%	\$375,000 - \$750,000	6,375,000	(6,375,000)	-	-
Fire Building Refunding Bonds - Series 2011:						
Amount of issue - \$6,355,000 Maturing through 2022	2.00% - 3.50%	\$390,000 - \$710,000	-	5,965,000	5,965,000	430,000
41-B District Court Bonds - Series 2006:						
Amount of issue - \$13,500,000 Maturing through 2031	4.00% - 4.50%	\$300,000 - \$1,000,000	12,550,000	(250,000)	12,300,000	300,000
Capital Improvement Bonds - Series 2010:						
Amount of issue \$2,187,500 Maturing through 2032	2.00% - 4.00%	\$78,750 - \$157,500	2,187,500	-	2,187,500	78,750
MDOT Infrastructure Loan (1):						
Loan amount - \$477,720 Maturing through 2019	1%	\$47,045 - \$49,936	385,940	(46,580)	339,360	47,045
MDOT Infrastructure Loan (2):						
Loan amount - \$334,405 Maturing through 2021	1%	\$32,274 - \$34,962	334,405	(31,963)	302,442	32,274
Total bond/loan obligations			31,017,101	(1,779,518)	29,237,583	2,037,612
Other long-term obligations - Compensated absences			4,045,842	(48,638)	3,997,204	1,199,161
Total governmental activities			\$ 35,062,943	\$ (1,828,156)	\$ 33,234,787	\$ 3,236,773

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

Note 5 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-type Activities						
Building Authority Refunding Bonds - Series 1998:*						
Amount of issue - \$10,390,000	4.75% -	\$884,025 -				
Maturing through 2017	5.50%	\$1,159,055	\$ 6,820,737	\$ (884,025)	\$ 5,936,712	\$ 915,457
Capital Improvement Bonds - Series 2010						
Amount of issue - \$312,500	2.00% -	\$11,250 -				
Maturing through 2032	4.00%	\$22,500	312,500	-	312,500	11,250
2004 Special Assessment Bonds - Limited Tax Bonds (Project Nos. P1000, P1006, P1018, P1029, and S1013):						
Amount of issue - \$1,115,000	3.50% -					
Maturing through 2014	3.80%	\$110,000	440,000	(110,000)	330,000	110,000
2006 Special Assessment Bonds - Limited Tax Bonds (Project Nos. S-1052, W-1053, and P- 1056):						
Amount of issue - \$955,000						
Maturing through 2015	4.00%	\$100,000	500,000	(100,000)	400,000	100,000
Revenue bonds:						
Revenue Refunding Bonds - Series 1998:						
Amount of issue - \$4,110,000	4.95% -					
Maturing through 2013	5.00%	\$240,000	670,000	(190,000)	480,000	240,000
Revenue Bonds - Series 2001:						
Amount of issue - \$8,000,000		\$375,000 -				
Maturing through 2022	4.00%	\$650,000	5,825,000	(350,000)	5,475,000	375,000
Revenue Refunding Bonds - Series 2004:						
Amount of issue - \$2,570,000	3.00% -	\$5,000 -				
Maturing through 2016	3.40%	\$390,000	1,780,000	(395,000)	1,385,000	390,000
Revenue Bonds - CWRP Project 5191-01:						
Amount of issue - \$1,405,000		\$70,000 -				
Maturing through 2024	2.125%	\$85,000	980,000	(65,000)	915,000	70,000
Revenue Bonds - SQWIF Project 3001-01:						
Amount of issue - \$270,000						
Maturing through 2024	1.625%	\$10,000	138,471	(10,000)	128,471	10,000
Revenue Bonds - Series 2006:						
Amount of issue - \$5,000,000	3.75% -	\$100,000 -				
Maturing through 2026	4.30%	\$400,000	4,600,000	(100,000)	4,500,000	100,000
County Drain Contract Obligations:						
North Gratiot Interceptor Drainage District - Series 2010:						
Amount of issue - \$172,370	1.00% -	\$5,283 -				
Maturing through 2035	6.35%	\$9,906	169,068	(5,283)	163,785	5,283
North Gratiot Interceptor Drainage District - Series 2008:						
Amount of issue - \$1,853,714	3.625% -	\$41,489 -				
Maturing through 2033	5.00%	\$99,573	1,730,077	(41,489)	1,688,588	41,489
2010A OMID Drainage District (SRF):						
Amount of issue - \$2,932,468		\$110,900 -				
Maturing through 2031	2.50%	\$173,513	1,454,287	1,198,766	2,653,053	110,900
2010B OMID Drainage District:						
Amount of issue - \$753,472	1.45% -	\$25,865 -				
Maturing through 2030	5.90%	\$58,481	732,105	(25,303)	706,802	25,865
2011 OMID Drainage District:						
Amount of issue - \$3,524,966		\$138,072 -				
Maturing through 2033	2.50%	\$220,224	-	223,549	223,549	-
2010A MID Drainage District:						
Amount of issue - \$18,226,352	1.25% -	\$568,978 -				
Maturing through 2035	5.38%	\$1,073,147	18,226,352	(568,978)	17,657,374	574,696
2011 MID Drainage District (Clintondale):						
Amount of issue - \$6,725,673		\$574,696 -				
Maturing through 2031	5.00%	\$1,073,147	-	6,572,817	6,572,817	174,693
Total bond obligations			44,378,597	5,150,054	49,528,651	3,254,633

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

Note 5 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-type Activities (Continued)						
Other long-term obligations:						
Compensated absences			\$ 249,929	\$ (2,271)	\$ 247,658	\$ 74,297
Bond issuance premium			-	401,753	401,753	21,145
Bond issuance discount			(258,518)	10,772	(247,746)	(10,772)
Deposits			342,460	11,648	354,108	-
Restricted assets held at county			-	666,114	666,114	-
Total business-type activities			44,712,468	6,238,070	50,950,538	3,339,303
Total primary government			\$ 79,775,411	\$ 4,409,914	\$ 84,185,325	\$ 6,576,076

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

Years Ending March 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 2,037,612	\$ 1,160,943	\$ 3,198,555	\$ 3,254,633	\$ 1,898,029	\$ 5,152,662
2014	2,165,202	1,082,313	3,247,515	3,025,060	1,790,532	4,815,592
2015	2,235,648	998,180	3,233,828	3,176,545	1,680,960	4,857,505
2016	2,540,550	907,148	3,447,698	3,248,445	1,558,959	4,807,404
2017	2,659,221	807,179	3,466,400	3,269,443	1,425,588	4,695,031
2018-2022	8,499,975	2,805,623	11,305,598	12,011,191	5,461,283	17,472,474
2023-2027	4,477,500	1,616,375	6,093,875	10,236,430	3,318,175	13,554,605
2028-2032	4,621,875	519,974	5,141,849	8,040,208	1,524,917	9,565,125
2033-2035	-	-	-	3,266,696	237,607	3,504,303
Total	\$ 29,237,583	\$ 9,897,735	\$ 39,135,318	\$ 49,528,651	\$ 18,896,050	\$ 68,424,701

During the year, the Macomb Interceptor Drainage District (MID) issued county bonds in the amount of \$30,800,000, of which \$6,725,673 is the Township's share. The MID Series 2011 bond proceeds were used to perform improvements on the Clintondale Pump Station within the MID interceptor system.

Also, during the year, the Oakland-Macomb Interceptor Drainage District (OMID) was approved for approximately \$25.5 million of loans from the Michigan State Revolving Fund (SRF) (OMID Series 2011). As of year end, the Township's portion of the draws from the SRF was \$223,549.

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

Note 5 - Long-term Debt (Continued)

Current Refunding - During the year, the Township issued \$6,355,000 in general obligation bonds with an average interest rate of 3 percent. The proceeds of these bonds were used to refund \$6,375,000 of outstanding 2002 fire building bonds with an average interest rate of 4 percent. The net proceeds of \$6.5 million (after payment of \$93,000 in underwriting fees, insurance, and other issuance costs) plus an additional \$133,000 of Debt Fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the governmental activities long-term debt. The advance refunding reduced total debt service payments over the next 10 years by approximately \$500,000, which represents an economic gain of approximately \$421,000.

No Commitment Debt

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

Revenue Bonds

The Township has pledged certain revenue of the Water and Sewer Fund, net of operating expenses, to repay the revenue bonds disclosed above. Proceeds from the bonds provided financing for the repair of water and sewer lines. The bonds are payable solely from the net revenue of the water and sewer system. The remaining principal and interest to be paid on the bonds total \$16,138,637. During the current year, net income, before depreciation and lines donated by developers and other governmental units (both of which are noncash activities), of the water and sewer system totaled \$6,847,624, compared to annual debt requirements of \$1,625,399.

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, 2012, \$7,600,000 of Building Authority Bonds and \$400,000 of Water and Sewer Revenue Bonds outstanding are considered defeased.

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

Note 6 - Restricted Net Assets

The Water and Sewer Fund accounts for the operation and maintenance of the water and sewer treatment activities of the Township, including the funding of reserves as required by the revenue bond ordinances. The bond reserve account balance at March 31, 2012 is funded by certificates of deposits and money market funds in the amount of \$1,562,556.

Unspent bond proceeds held at County:

Due from Oakland County*	\$ 375,817
Due from Macomb County**	7,329,005

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

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

Net assets have been reserved for restricted assets.

Note 7 - Risk Management

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

The Township is uninsured for workers' compensation claims and medical benefits. The Township self-funds medical benefits. These benefits are self-funded up to a retention amount, at which time the Township's reinsurance coverage begins.

The Township estimates the liability (asset) for workers' compensation claims and medical benefits that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. An asset is recorded when payments for claims have exceeded the estimated insurance liability; this amount represents funds held by the third-party administrator that will be used to pay claims of a subsequent period. These liabilities (assets) are recorded in accrued and other liabilities (other assets) on the statement of net assets.

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

Note 7 - Risk Management (Continued)

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

	Workers' Compensation		Medical Benefits	
	2012	2011	2012	2011
Estimated liability (asset) - Beginning of year	\$ 659,544	\$ 881,655	\$ (432,754)	\$ 237,936
Estimated claims incurred, including changes in estimates	216,812	25,652	7,805,603	6,263,104
Claim payments	(199,497)	(247,763)	(6,634,283)	(6,933,794)
Estimated liability (asset) - End of year	<u>\$ 676,859</u>	<u>\$ 659,544</u>	<u>\$ 738,566</u>	<u>\$ (432,754)</u>

Note 8 - Commitments and Contingencies

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

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

Construction Commitments - The Charter Township of Clinton has active construction projects at year end. As of March 31, 2012, the Township's commitments with contractors are as follows:

	Spent to Date	Retainages Payable	Remaining Commitment
A.C.O. Model	\$ 173,815	\$ -	\$ 28,127
Heritage Estates Siding	885,041	82,719	3,780
King, Demly, & Nitchum Water Main Replacement	479,100	44,735	370,837
Sanitary Sewer CIPP	756,441	43,415	72,405
Other	227,576	8,374	41,394

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

Note 9 - Postemployment Benefits

As of April 1, 2010, the Township provides retiree healthcare benefits to full-time employees upon retirement in accordance with labor contracts. Membership in the plan included 207 retiree members and 361 active members as of September 1, 2010, the date of the most recent actuarial valuation. During the year ended March 31, 2011, the Township renegotiated certain labor contracts to provide a defined contribution Postemployment Health Plan (PEHP) to eligible employees hired after April 1, 2010.

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

The collective bargaining agreements require contributions from employees ranging from \$15 to \$50 per pay period. The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, as shown below, the Township has made contributions to advance-fund these benefits, as determined by the Township board through annual budget resolutions. The costs of administering the plan are borne by the Township's General Fund.

For the year ended March 31, 2012, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of September 1, 2010. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 3,877,665	\$ 4,398,440
Amounts contributed:		
Payments of current premiums	(3,318,542)	(2,737,553)
Advance funding	<u>(600,000)</u>	<u>(1,544,518)</u>
(Increase) decrease in net OPEB asset	(40,877)	116,389
OPEB asset - Beginning of year	<u>(703,504)</u>	<u>(819,893)</u>
OPEB asset - End of year	<u>\$ (744,381)</u>	<u>\$ (703,504)</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

Note 9 - Postemployment Benefits (Continued)

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

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage Contributed	Net OPEB Asset
March 31, 2012	September 1, 2010	\$ 3,877,665	101 %	\$ 744,381
March 31, 2011	September 1, 2008	4,398,440	97	703,504
March 31, 2010	September 1, 2008	4,628,384	98	819,893

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
September 1, 2010	\$ 20,513,485	\$ 65,453,220	\$ 44,939,735	31.3 %	\$ 23,067,609	194.8 %
September 1, 2008	14,761,410	68,564,301	53,802,891	21.5	23,987,344	224.3
June 30, 2006	10,040,141	53,646,367	43,606,226	18.7	22,754,633	191.6

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

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

Note 9 - Postemployment Benefits (Continued)

In the September 1, 2010 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a four-year period. The UAAL is being amortized as a level percentage of projected covered payroll on an open basis. The remaining amortization period at September 1, 2010 was 30 years.

Defined Contribution Plan

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

During the year ended March 31, 2012, the Township made contributions of \$11,217 and the plan members contributed \$5,295 to the plan.

Note 10 - Pension Plans

Fire and Police Pension System Fund

System Description and Contribution Information

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

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

Note 10 - Pension Plans (Continued)

Depending upon their collective bargaining unit, plan members are required to contribute between 6.14 percent and 10.0 percent of their annual covered salary. The Township is required to contribute at an actuarially determined rate. The obligation to contribute to and maintain the system for these employees was established by Act No. 345 of the Public Acts of 1937, as amended, and modified by the collective bargaining agreements. Administrative costs of the system are financed through investment earnings.

Annual Pension Cost - For the year ended March 31, 2012, the Township's annual pension cost of \$3,833,280 for the plan was equal to the pension system's required and actual contribution.

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

	Fiscal Year Ended March 31		
	2012	2011	2010
Annual pension cost (APC)	\$ 3,833,280	\$ 3,443,068	\$ 3,044,464
Percentage of APC contributed	100 %	100 %	100 %

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

	Actuarial Valuation as of March 31		
	2009	2010	2011
Actuarial value of assets	\$ 97,807,348	\$ 100,263,975	\$ 105,263,350
Actuarial accrued liability (AAL)			
(entry age)	\$ 100,879,824	\$ 110,415,165	\$ 114,226,069
Unfunded AAL (UAAL)	\$ 3,072,476	\$ 10,151,190	\$ 8,962,719
Funded ratio	97.0 %	90.8 %	92.2 %
Covered payroll	\$ 16,611,300	\$ 16,028,600	\$ 14,199,300
UAAL as a percentage of covered payroll	18.5 %	63.3 %	63.1 %

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

Note 10 - Pension Plans (Continued)

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at March 31, 2010. 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, 2010 was 20 years.

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, 2011	\$ 11,045,837	\$ 54,376,555	\$ 43,322,463	\$ 108,744,855
Additions:				
Contributions:				
Members	1,014,781	9,770	-	1,024,551
General Fund	-	3,833,280	-	3,833,280
Securities lending income	-	5,201	-	5,201
Total balances and additions	12,060,618	58,224,806	43,322,463	113,607,887
Transfers:				
Interest	216,047	(3,379,202)	3,163,155	-
Reserve adjustment	-	(7,629,391)	7,629,391	-
Total balances and additions after transfers	12,276,665	47,216,213	54,115,009	113,607,887
Deductions:				
Pension benefits	-	-	(5,623,387)	(5,623,387)
Annuity withdrawals	(920,456)	-	-	(920,456)
Net investment loss	-	(78,089)	-	(78,089)
Administrative expenses	-	(42,548)	-	(42,548)
Balances - March 31, 2012	<u>\$ 11,356,209</u>	<u>\$ 47,095,576</u>	<u>\$ 48,491,622</u>	<u>\$ 106,943,407</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

Note 10 - Pension Plans (Continued)

Michigan Municipal Employees' Retirement System

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

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the eight municipal employee collective bargaining units and requires employee contributions ranging from 4.50 percent to 7.09 percent of gross wages.

Annual Pension Cost - For the year ended March 31, 2012, the Township's annual pension cost of \$1,385,304 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, 2009, using the entry age normal funding method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) additional projected salary increases of 0.0 percent to 8.4 percent per year, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over a 28-year period for positive unfunded liabilities and a 10-year period for negative unfunded liabilities. The actuarial assumptions used in the December 31, 2010 valuation did not differ from those used in the December 31, 2009 valuation.

Three-year Trend Information

	Fiscal Year Ended March 31		
	2010	2011	2012
Annual pension cost (APC)	\$ 1,197,036	\$ 1,248,146	\$ 1,385,304
Percentage of APC contributed	100 %	100 %	100 %

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

Note 10 - Pension Plans (Continued)

	Actuarial Valuation as of December 31		
	2008	2009	2010
Actuarial value of assets	\$ 41,409,438	\$ 42,734,402	\$ 43,871,158
Actuarial accrued liability (AAL) (entry age)	\$ 53,724,327	\$ 55,714,914	\$ 59,408,736
Unfunded AAL (UAAL)	\$ 12,314,889	\$ 12,980,512	\$ 15,537,578
Funded ratio	77.1 %	76.7 %	73.8 %
Covered payroll	\$ 11,058,051	\$ 10,585,940	\$ 9,997,259
UAAL as a percentage of covered payroll	111.4 %	122.6 %	155.4 %

Note 11 - Deferred Revenue

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

	Governmental Funds			Government- wide Financial Statements
	Unavailable	Unearned	Total	
State-shared revenue	\$ 598,564	\$ -	\$ 598,564	\$ -
Long-term due from other governments	3,936,000	-	3,936,000	-
Other grant revenue	905,972	44,940	950,912	44,940
Total	\$ 5,440,536	\$ 44,940	\$ 5,485,476	\$ 44,940

Note 12 - Joint Ventures

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2012

Note 12 - Joint Ventures (Continued)

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

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

Note 13 - Fund Balance Constraints

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

	<u>General Capital Projects Fund</u>
Fund Balances - Assigned	
Next year's budget	\$ 407,272
Cass Avenue loan principal and interest	353,070
Romeo Plank loan principal and interest	317,770
Technology	400,000
Sidewalk program	200,000
Tentative SAD projects	100,000
General capital projects	<u>252,452</u>
Total assigned	<u>\$ 2,030,564</u>

Note 14 - Upcoming Accounting Pronouncements

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

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

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

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the Township as of April 1, 2013.

Note 14 - Upcoming Accounting Pronouncements (Continued)

In June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued by the Governmental Accounting Standards Board. This new standard, which replaces the requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, establishes standards for financial reporting that outline the basic framework for separately-issued pension plan financial reports and specifies the required approach to measuring the liability of employer(s) and certain nonemployer contributing entities, about which information is required to be disclosed. GASB Statement No. 67 is required to be adopted for years beginning after June 15, 2013. For the Township, this standard will be adopted for the year ending March 31, 2015.

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

Required Supplemental Information

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,287,300	\$ 2,361,495	\$ 2,327,466	\$ (34,029)
Licenses and permits	637,700	823,290	1,140,103	316,813
Federal sources	17,500	18,245	20,456	2,211
State sources	6,479,832	6,929,832	7,261,559	331,727
Interest	75,000	25,000	23,487	(1,513)
Other revenue	3,068,960	3,285,297	3,834,543	549,246
Total revenue	12,566,292	13,443,159	14,607,614	1,164,455
Expenditures				
Current:				
General government	4,675,661	4,970,779	4,907,844	62,935
Public safety	1,230,032	1,223,095	1,203,654	19,441
Public works	3,693,657	3,598,527	3,563,048	35,479
Community and economic development	497,673	452,203	399,988	52,215
Recreation and senior activities	2,175,486	2,184,073	2,177,211	6,862
Debt service	79,453	79,453	79,253	200
Total expenditures	12,351,962	12,508,130	12,330,998	177,132
Excess of Revenue Over Expenditures	214,330	935,029	2,276,616	1,341,587
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	300,000	318,779	18,779
Transfers out	(503,010)	(688,010)	(482,710)	205,300
Net Change in Fund Balance	(288,680)	547,019	2,112,685	1,565,666
Fund Balance - Beginning of year	12,299,952	12,299,952	12,299,952	-
Fund Balance - End of year	\$ 12,011,272	\$ 12,846,971	\$ 14,412,637	\$ 1,565,666

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Combining Fire Fund Year Ended March 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 12,643,900	\$ 12,921,750	\$ 12,571,254	\$ (350,496)
Federal sources	-	1,255,853	374,703	(881,150)
Interest	15,000	15,000	29,022	14,022
Other revenue	15,600	10,100	121,988	111,888
Total revenue	<u>12,674,500</u>	<u>14,202,703</u>	<u>13,096,967</u>	<u>(1,105,736)</u>
Expenditures				
Current - Public safety	12,370,108	13,228,457	12,883,248	345,209
Debt service:				
Principal	375,000	390,000	390,000	-
Interest	266,125	247,500	247,368	132
Total expenditures	<u>13,011,233</u>	<u>13,865,957</u>	<u>13,520,616</u>	<u>345,341</u>
Excess of Expenditures (Under) Over Revenue	(336,733)	336,746	(423,649)	(760,395)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	1,000	200,000	215,000	15,000
Payment to bond refunding escrow agent	-	-	(109,186)	(109,186)
Net Change in Fund Balance	(335,733)	536,746	(317,835)	(854,581)
Fund Balance - Beginning of year	<u>15,064,898</u>	<u>15,064,898</u>	<u>15,064,898</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 14,729,165</u></u>	<u><u>\$ 15,601,644</u></u>	<u><u>\$ 14,747,063</u></u>	<u><u>\$ (854,581)</u></u>

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Fund Year Ended March 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 16,388,600	\$ 16,748,250	\$ 16,287,899	\$ (460,351)
Licenses and permits	65,000	59,000	54,699	(4,301)
Federal sources	29,440	84,368	99,139	14,771
State sources	177,465	179,250	221,865	42,615
Interest	10,000	10,000	41,959	31,959
Other revenue	388,757	740,655	866,589	125,934
Total revenue	17,059,262	17,821,523	17,572,150	(249,373)
Expenditures - Current - Public safety	18,170,579	17,861,396	17,766,006	95,390
Excess of Revenue (Under) Over Expenditures	(1,111,317)	(39,873)	(193,856)	(153,983)
Other Financing Sources				
Proceeds from sale of capital assets	25,000	21,750	11,750	(10,000)
Transfers in	396,400	396,400	396,400	-
Total other financing sources	421,400	418,150	408,150	(10,000)
Net Change in Fund Balance	(689,917)	378,277	214,294	(163,983)
Fund Balance - Beginning of year	21,501,223	21,501,223	21,501,223	-
Fund Balance - End of year	\$ 20,811,306	\$ 21,879,500	\$ 21,715,517	\$ (163,983)

Charter Township of Clinton

Required Supplemental Information Pension System Schedule of Funding Progress and Employer Contributions Year Ended March 31, 2012

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
3/31/06	\$ 78,717,338	\$ 82,677,222	\$ 3,959,884	95.2 %	\$ 14,457,911	27.4 %
3/31/07	88,658,616	86,075,845	(2,582,771)	103.0	14,570,507	(17.7)
3/31/08	96,959,753	95,924,951	(1,034,802)	101.1	15,810,152	(6.6)
3/31/09	97,807,348	100,879,824	3,072,476	97.0	16,611,300	18.5
3/31/10	100,263,975	110,415,465	10,151,490	90.8	16,028,600	63.3
3/31/11	105,263,350	114,226,069	8,962,719	92.2	14,199,300	63.1

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
3/31/07	3/31/05	\$ 2,902,650	100 %
3/31/08	3/31/06	3,105,900	100
3/31/09	3/31/07	2,833,972	100
3/31/10	3/31/08	3,044,464	100
3/31/11	3/31/09	3,443,068	100
3/31/12	3/31/10	3,883,280	100

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

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of March 31, 2010, the latest actuarial valuation, is as follows:

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

Charter Township of Clinton

Note to Required Supplemental Information Year Ended March 31, 2012

Note - Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds except that the General Fund budget does not take into account the additional activity accounted for in the General Fund as a result of GASB Statement No. 54 or the Fire Fund bond refunding which is shown net of the debt issuance. The table below reconciles the actual fiscal year activity in the General Fund budget to the General Fund activity reported in the governmental funds statement of revenue, expenditures, and changes in fund balance. All annual appropriations lapse at fiscal year end. The budget cycle runs from April 1 to March 31. The annual budget is submitted to the Township board 120 days prior to the beginning of the next fiscal year and approved by the board prior to commencement of the new fiscal year.

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

Encumbrances are not included as expenditures. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. The amount of encumbrances outstanding at March 31, 2012 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Excess of Revenue Over Expenditures</u>
General Fund:			
Amounts per governmental funds statement of revenue, expenditures, and changes in fund balances	\$ 14,607,614	\$ 12,129,032	\$ 2,478,582
General government	-	75,473	(75,473)
Public safety	-	117,095	(117,095)
Public works	-	9,398	(9,398)
Amounts per General Fund budget statement	<u>\$ 14,607,614</u>	<u>\$ 12,330,998</u>	<u>\$ 2,276,616</u>

Other Supplemental Information

Charter Township of Clinton

	Nonmajor Special Revenue Funds						Total Special Revenue Funds
	Community	Drug	Street	Neighborhood	DEA Task		
	Drainage	Development Block Grant	Forfeiture	Lighting	Stabilization	Force	
Assets							
Cash and investments	\$ 358,231	\$ -	\$ 531,899	\$ 349,042	\$ -	\$ 20,756	\$ 1,259,928
Receivables:							
Taxes	-	-	-	-	-	-	-
Customers	-	-	-	33,907	-	-	33,907
Due from other governmental units	-	67,562	-	-	32,709	-	100,271
Prepaid costs and other	-	-	6,358	-	-	-	6,358
Total assets	\$ 358,231	\$ 67,562	\$ 538,257	\$ 382,949	\$ 32,709	\$ 20,756	\$ 1,400,464
Liabilities and Fund Balances							
Liabilities							
Vouchers payable	\$ 2,480	\$ 2,852	\$ 5,705	\$ 34,770	\$ 2,778	\$ -	\$ 48,585
Due to other funds	-	64,710	-	-	29,931	-	94,641
Accrued and other liabilities	1,500	-	-	-	-	-	1,500
Total liabilities	3,980	67,562	5,705	34,770	32,709	-	144,726
Fund Balances							
Nonspendable	-	-	6,358	-	-	-	6,358
Restricted:							
Drainage	354,251	-	-	-	-	-	354,251
Police	-	-	-	-	-	20,756	20,756
Debt service	-	-	-	-	-	-	-
Drug forfeiture	-	-	526,194	-	-	-	526,194
Street lighting	-	-	-	348,179	-	-	348,179
Capital projects	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-
Assigned - Capital projects	-	-	-	-	-	-	-
Total fund balances	354,251	-	532,552	348,179	-	20,756	1,255,738
Total liabilities and fund balances	\$ 358,231	\$ 67,562	\$ 538,257	\$ 382,949	\$ 32,709	\$ 20,756	\$ 1,400,464

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2012**

Nonmajor Debt Service Funds			Nonmajor Capital Projects Funds			Total Nonmajor Governmental Funds
Building Authority	Police Facility	Total Debt Service Funds	2010 Construction Fund	General Capital Projects Fund	Total Capital Projects Funds	
\$ 26,445	\$ 1,037,851	\$ 1,064,296	\$ 2,464,524	\$ 2,109,365	\$ 4,573,889	\$ 6,898,113
-	67,050	67,050	-	3,583	3,583	70,633
-	-	-	-	-	-	33,907
-	-	-	-	17,616	17,616	117,887
-	-	-	-	-	-	6,358
\$ 26,445	\$ 1,104,901	\$ 1,131,346	\$ 2,464,524	\$ 2,130,564	\$ 4,595,088	\$ 7,126,898
\$ -	\$ 128	\$ 128	\$ 420	\$ -	\$ 420	\$ 49,133
4,003	962,764	966,767	480,836	-	480,836	1,542,244
-	26,243	26,243	-	-	-	27,743
4,003	989,135	993,138	481,256	-	481,256	1,619,120
-	-	-	-	-	-	6,358
-	-	-	-	-	-	354,251
-	-	-	-	-	-	20,756
22,442	115,766	138,208	-	-	-	138,208
-	-	-	-	-	-	526,194
-	-	-	-	-	-	348,179
-	-	-	1,983,268	-	1,983,268	1,983,268
-	-	-	-	100,000	100,000	100,000
-	-	-	-	2,030,564	2,030,564	2,030,564
22,442	115,766	138,208	1,983,268	2,130,564	4,113,832	5,507,778
\$ 26,445	\$ 1,104,901	\$ 1,131,346	\$ 2,464,524	\$ 2,130,564	\$ 4,595,088	\$ 7,126,898

Charter Township of Clinton

	Nonmajor Special Revenue Funds						Total Special Revenue Funds
	Community	Drug	Street	Neighborhood	DEA Task		
	Development	Forfeiture	Lighting	Stabilization	Force		
	Drainage	Block Grant					
Revenue							
Property taxes	\$ -	\$ -	\$ -	\$ 393,803	\$ -	\$ -	\$ 393,803
Federal sources	-	487,921	-	-	326,189	-	814,110
Fines and forfeitures	-	-	-	-	-	221,659	221,659
Interest	1,168	-	344	571	-	-	2,083
Other revenue	57,635	-	332,648	-	-	-	390,283
Total revenue	58,803	487,921	332,992	394,374	326,189	221,659	1,821,938
Expenditures							
Current:							
General government	-	487,921	-	-	33,360	-	521,281
Public safety	-	-	228,711	-	-	8,269	236,980
Public works	231,391	-	-	451,188	-	-	682,579
Community and economic development	-	-	-	-	292,829	-	292,829
Capital outlay	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	231,391	487,921	228,711	451,188	326,189	8,269	1,733,669
Excess of Revenue (Under) Over Expenditures	(172,588)	-	104,281	(56,814)	-	213,390	88,269
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(181,941)	-	-	(214,459)	(396,400)
Total other financing (uses) sources	-	-	(181,941)	-	-	(214,459)	(396,400)
Net Change in Fund Balances	(172,588)	-	(77,660)	(56,814)	-	(1,069)	(308,131)
Fund Balances - Beginning of year	526,839	-	610,212	404,993	-	21,825	1,563,869
Fund Balances - End of year	\$ 354,251	\$ -	\$ 532,552	\$ 348,179	\$ -	\$ 20,756	\$ 1,255,738

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended March 31, 2012

Nonmajor Debt Service Funds			Nonmajor Capital Projects Funds			Total Nonmajor Governmental Funds
Building Authority	Police Facility	Total Debt Service Funds	2010 Construction Fund	General Capital Projects Fund	Total Capital Projects Funds	
\$ -	\$ 1,069,051	\$ 1,069,051	\$ -	\$ -	\$ -	\$ 1,462,854
-	-	-	-	644,796	644,796	1,458,906
-	-	-	-	-	-	221,659
128	(42)	86	1,119	2,821	3,940	6,109
-	-	-	-	24,663	24,663	414,946
<u>128</u>	<u>1,069,009</u>	<u>1,069,137</u>	<u>1,119</u>	<u>672,280</u>	<u>673,399</u>	<u>3,564,474</u>
4,823	-	4,823	-	73,966	73,966	600,070
-	926	926	-	-	-	237,906
-	-	-	-	11,869	11,869	694,448
-	-	-	-	-	-	292,829
-	-	-	38,774	35,307	74,081	74,081
240,975	800,000	1,040,975	-	50,439	50,439	1,091,414
96,735	307,450	404,185	-	-	-	404,185
<u>342,533</u>	<u>1,108,376</u>	<u>1,450,909</u>	<u>38,774</u>	<u>171,581</u>	<u>210,355</u>	<u>3,394,933</u>
(342,405)	(39,367)	(381,772)	(37,655)	500,699	463,044	169,541
337,710	-	337,710	-	-	-	337,710
-	-	-	-	(644,796)	(644,796)	(1,041,196)
<u>337,710</u>	<u>-</u>	<u>337,710</u>	<u>-</u>	<u>(644,796)</u>	<u>(644,796)</u>	<u>(703,486)</u>
(4,695)	(39,367)	(44,062)	(37,655)	(144,097)	(181,752)	(533,945)
27,137	155,133	182,270	2,020,923	2,274,661	4,295,584	6,041,723
<u>\$ 22,442</u>	<u>\$ 115,766</u>	<u>\$ 138,208</u>	<u>\$ 1,983,268</u>	<u>\$ 2,130,564</u>	<u>\$ 4,113,832</u>	<u>\$ 5,507,778</u>

Charter Township of Clinton

Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds March 31, 2012

	Pension and Other Employee Benefit Trust Funds			Agency Funds			
	Fire and Police	Public Employee	Total	Tax Collection	Cash Bond	Trust and Agency	Total
	Pension System	Healthcare					
Assets							
Cash	\$ -	\$ 603,676	\$ 603,676	\$ 41,873	\$ 156,385	\$ 497,825	\$ 696,083
Investments:							
Bank investment pools	6,596,863	-	6,596,863	-	-	-	-
Money market funds	3,521,656	-	3,521,656	-	-	-	-
U.S. Treasury notes	2,653,926	-	2,653,926	-	-	-	-
Mutual funds	22,387,903	21,893,187	44,281,090	-	-	-	-
Common stock	34,686,108	-	34,686,108	-	-	-	-
U.S. government agency securities	3,575,448	-	3,575,448	-	-	-	-
Corporate bonds	12,719,857	-	12,719,857	-	-	-	-
Hedge funds	9,086,336	-	9,086,336	-	-	-	-
Real estate investment trusts	2,630,386	-	2,630,386	-	-	-	-
Limited partnerships	14,545,075	-	14,545,075	-	-	-	-
Receivables	-	-	-	210	35	-	245
Prepaid costs and other	431,789	-	431,789	-	-	-	-
Total assets	112,835,347	22,496,863	135,332,210	\$ 42,083	\$ 156,420	\$ 497,825	\$ 696,328
Liabilities							
Benefits payable and other liabilities	2,918,127	-	2,918,127	\$ -	\$ -	\$ -	\$ -
Checks issued in excess of available cash	80,755	-	80,755	-	-	-	-
Refundable bonds and deposits	-	-	-	42,083	156,420	497,825	696,328
Collateral for securities lending	2,893,058	-	2,893,058	-	-	-	-
Total liabilities	5,891,940	-	5,891,940	\$ 42,083	\$ 156,420	\$ 497,825	\$ 696,328
Net Assets Held in Trust for Pension Systems and Other Employee Benefits	\$ 106,943,407	\$ 22,496,863	\$ 129,440,270				

Charter Township of Clinton

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended March 31, 2012

	Fire and Police Pension System Trust	Public Employee Healthcare Fund	Total
Additions			
Investment income (loss):			
Interest and dividends	\$ 2,201,259	\$ 669,078	\$ 2,870,337
Net appreciation in fair value of investments	(1,670,728)	(829,698)	(2,500,426)
Investment expenses	(608,620)	-	(608,620)
Net investment income	(78,089)	(160,620)	(238,709)
Securities lending income:			
Interest and fees	6,530	-	6,530
Less borrower rebates and fees	(1,329)	-	(1,329)
Net securities lending income	5,201	-	5,201
Contributions:			
Township	3,833,280	3,918,543	7,751,823
Employee	1,024,551	-	1,024,551
Total contributions	4,857,831	3,918,543	8,776,374
Total additions	4,784,943	3,757,923	8,542,866
Deductions			
Benefit payments and annuity withdrawals	6,543,843	3,318,543	9,862,386
Administrative expenses	42,548	-	42,548
Total deductions	6,586,391	3,318,543	9,904,934
Net (Decrease) Increase in Net Assets Held in Trust	(1,801,448)	439,380	(1,362,068)
Net Assets Held in Trust for Pension Systems and Other Employee Benefits - Beginning of year	108,744,855	22,057,483	130,802,338
Net Assets Held in Trust for Pension Systems and Other Employee Benefits - End of year	\$ 106,943,407	\$ 22,496,863	\$ 129,440,270