

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

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**Financial Report  
with Supplemental Information  
March 31, 2013**

# Charter Township of Clinton

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# Charter Township of Clinton

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## Independent Auditor's Report

To the Board of Directors  
Charter Township of Clinton

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Clinton as of and for the year ended March 31, 2013 and the related notes to the financial statements, which collectively comprise the Charter Township of Clinton's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Clinton as of March 31, 2013 and the respective changes in its financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Charter Township of Clinton

***Emphasis of Matter***

As explained in Note 2, the financial statements include fire and police pension system investments valued at \$27 million, 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.

As discussed in Note 15 to the financial statements, in 2013, the Township adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, revenue that is not collected soon enough to be considered available in the governmental funds (such as state-shared revenue) is reported as deferred inflows; net assets are now reported as net position. Our opinion is not modified with respect to this matter.

***Required Supplemental Information***

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

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter Township of Clinton's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

To the Board of Directors  
Charter Township of Clinton

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2013 on our consideration of the Charter Township of Clinton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter Township of Clinton's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

September 4, 2013

# **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, 2013. Please read it in conjunction with the financial statements.

### **Overview of this Annual Report**

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

The first and shorter of this series provides information about the activities of the Charter Township of Clinton on a government-wide basis. There are two statements in this series, namely, a statement of net position and a statement of activities. These government-wide statements are presented on pages 16-18. These two statements are presented on a full accrual basis which is designed to present a longer-term view of the Township's finances. Unlike the more traditional fund-based financial statements, all activities reflected in these statements reflect the Township's investment in capital assets net of depreciation as an asset, noncurrent liabilities as liabilities, and the current period depreciation as expenditure.

The second of these two series is presented on pages 19-31. This series consists of the more traditional fund-based financial statements. It is grouped by governmental funds, proprietary funds, fiduciary funds, and component units. 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 position (in thousands) as of March 31, 2013 and 2012:

#### Summary Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Current Assets</b>	\$ 66,710.5	\$ 68,232.9	\$ 21,221.4	\$ 16,070.0	\$ 87,931.9	\$ 84,302.9
<b>Noncurrent Assets</b>						
Restricted assets	-	-	6,651.1	9,267.4	6,651.1	9,267.4
Special assessments	-	-	547.3	462.8	547.3	462.8
Capital assets	41,195.4	40,070.6	144,845.9	141,646.4	186,041.3	181,717.0
Total assets	107,905.9	108,303.5	173,265.7	167,446.6	281,171.6	275,750.1
<b>Liabilities</b>						
Current liabilities	2,790.1	3,985.7	3,566.5	2,841.2	6,356.6	6,826.9
Long-term liabilities	30,713.4	33,234.8	49,481.1	50,950.5	80,194.5	84,185.3
Total liabilities	33,503.5	37,220.5	53,047.6	53,791.7	86,551.1	91,012.2
<b>Net Position</b>						
Invested in capital assets - Net of related debt	19,530.4	18,351.7	101,603.6	99,738.8	121,134.0	118,090.5
Restricted	39,984.4	39,409.0	1,836.2	9,531.4	41,820.6	48,940.4
Unrestricted	14,887.6	13,322.3	16,778.3	4,384.7	31,665.9	17,707.0
Total net position	<u>\$ 74,402.4</u>	<u>\$ 71,083.0</u>	<u>\$ 120,218.1</u>	<u>\$ 113,654.9</u>	<u>\$ 194,620.5</u>	<u>\$ 184,737.9</u>

Total net position related to the Township's governmental activities increased by approximately \$3.3 million. An approximate \$1.13 million increase resulted from the net of the following: (1) 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 including the General, Fire, and Police Funds and (2) the purchase of capital assets which includes a major purchase of \$2.0 million for a new DPW maintenance facility building. An increase of \$229,000 resulted from the recording of the Township's equity in the net position of the 41-B District Court (a joint venture that provides judiciary services to the City of Mount Clemens and the Charter Townships of Clinton and Harrison). Net position was increased by approximately \$484,000 due to a decrease in accumulated sick and vacation liability. The remainder of the difference in net position is attributed to timing differences which are detailed in the "Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities" found on page 22.



# Charter Township of Clinton

## Management's Discussion and Analysis (Continued)

For the year ended March 31, 2013, the Township continues to record its liability/asset (in the Township's case for March 31, 2013, 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 \$439,000 over the next four years to \$460,000 at March 31, 2013. The Township, in its 2013-2014 fiscal year budget, plans to use this asset to offset the obligation for the fiscal year.

The following table shows the changes in net position (in thousands of dollars) during the years ended March 31, 2013 and 2012:

### Summary Condensed Income Statement

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 3,731.5	\$ 3,587.3	\$ 38,331.0	\$ 36,266.5	\$ 42,062.5	\$ 39,853.8
Operating grants and contributions	4,122.8	4,083.5	263.8	303.3	4,386.6	4,386.8
Capital grants and contributions	29.2	34.9	202.0	165.0	231.2	199.9
General revenue:						
Property taxes	31,813.7	32,454.4	-	-	31,813.7	32,454.4
State-shared revenue	7,393.7	7,073.6	-	-	7,393.7	7,073.6
Interest	47.8	58.6	42.8	83.0	90.6	141.6
Miscellaneous	3,183.4	3,559.3	50.0	100.0	3,233.4	3,659.3
Total revenue	50,322.1	50,851.6	38,889.6	36,917.8	89,211.7	87,769.4
<b>Program Expenses</b>						
General government	3,715.4	3,375.8	-	-	3,715.4	3,375.8
Public safety	33,731.2	35,207.3	-	-	33,731.2	35,207.3
Public works	5,084.5	4,759.1	-	-	5,084.5	4,759.1
Recreation and culture	2,349.9	2,507.2	-	-	2,349.9	2,507.2
Community and economic development	900.4	692.8	-	-	900.4	692.8
Interest on long-term debt	1,120.1	1,340.7	-	-	1,120.1	1,340.7
Water and sewer	-	-	27,089.4	28,311.2	27,089.4	28,311.2
Senior housing	-	-	1,555.3	1,530.3	1,555.3	1,530.3
Sanitation	-	-	3,716.8	3,770.6	3,716.8	3,770.6
Special assessments	-	-	66.1	39.6	66.1	39.6
Total program expenses	46,901.5	47,882.9	32,427.6	33,651.7	79,329.1	81,534.6
<b>Change in Net Position - Before transfers</b>	3,420.6	2,968.7	6,462.0	3,266.1	9,882.6	6,234.8
<b>Transfers</b>	(101.2)	(789.8)	101.2	789.8	-	-
<b>Change in Net Position</b>	3,319.4	2,178.9	6,563.2	4,055.9	9,882.6	6,234.8
<b>Net Position - Beginning of year (Note 15)</b>	71,083.0	68,904.1	113,654.9	109,599.0	184,737.9	178,503.1
<b>Net Position - End of year</b>	<u>\$ 74,402.4</u>	<u>\$ 71,083.0</u>	<u>\$ 120,218.1</u>	<u>\$ 113,654.9</u>	<u>\$ 194,620.5</u>	<u>\$ 184,737.9</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 63 percent of the total. State-shared revenue provides another 15 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 net decrease of approximately 2 percent. This decrease is a net of taxable property values decreasing by 6 percent and offset by an adjustment to correct losses due to prior year tax revenues from Michigan tax tribunal appeals. This was the fourth decrease in property values (the last fiscal year ended March 31, 2012 experienced an 7 percent decrease, with an 8 percent and 3 percent decrease for the fiscal years ended March 31, 2011 and 2010, respectively) that the Township has experienced in over 25 years, for a total reduction of 24 percent to date.

State-shared revenue, our second largest source of general government revenue, shows an approximate \$313,000 increase from the previous year, but still continues at the reduced levels of recent years. The amount received from the State during the fiscal year ended March 31, 2013 was approximately \$2.8 million, or 27 percent less than what the Township received in the fiscal year ended March 31, 2002. The Township countered these reductions by leaving vacant the positions resulting from retirements to keep the effect on non-personnel-related expenditures at a minimum. This has permanently reset the level of services that the Township can afford to provide. Due to the elimination of positions in the current and prior years and other cost-cutting measures related to personnel costs, the Township structural deficit has been significantly reduced in the 2013-2014 budget and in its three-year projections. The continued sluggishness of the state's economy continues to directly impact revenue-sharing payments; however, they have been on an upswing the last couple of years. 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 of statutory revenue-sharing payments for each of the three categories for which they fulfill the specific requirements. The three categories are accountability and transparency, consolidation of services, and employee compensation. The Township's compliance with all three categories of the EVIP resulted in the Township receiving the maximum amount available of \$357,000 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
SAFER Grant Fund	

# **Charter Township of Clinton**

## **Management's Discussion and Analysis (Continued)**

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

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

### **Fund-based Financial Statements**

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

### **Financial and Budgetary Highlights**

**General Fund** - Overall, General Fund revenue was approximately \$42,000 higher than the prior year. The overall property tax revenue, which includes payment in lieu of taxes and prior year adjustments, has increased by approximately 2 percent, or \$40,000, in the General Fund. The 6 percent reduction in tax revenue that is directly related to the reduction in property tax values was offset by tax adjustment corrections to the prior year which netted the 2 percent increase. The revenue from state revenue sharing, the General Fund's largest revenue source, increased by 5.3 percent, or \$378,000, mainly due to an increase of constitutional state revenue-sharing payments from the State of Michigan. The \$357,000 of statutory revenue received through the Economic Vitality Incentive Program (EVIP) remained the same as the prior year. Fees and permit revenue were up 21 percent, or \$245,000 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 12.5 percent decrease, or a \$259,000 decrease, from the prior year. This is the result of the cable revenues reported in the current year returning to normal levels after the change in the prior year, which caused an increase 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 the prior fiscal year. Administrative fees received by the General Fund from other departments is \$400,000 less than the prior year due to the administrative fee from the water and sewer department returning to normal levels after the prior years increased reimbursement by the Water and Sewer Fund to reimburse the General Fund for a reduction in the previous year's administrative fee. In other revenue in the General Fund, proceeds from the sale of tax-forfeited properties provided an additional \$182,000 over the prior year sales. The DPW revenues have decreased by approximately \$100,000 due to the discontinuing of the administrative reimbursement from the drain fund. Revenues collected by the parks and recreation and seniors department decreased by \$60,000 from the prior year.

# Charter Township of Clinton

## Management's Discussion and Analysis (Continued)

Total General Fund expenditures, excluding the Postemployment Benefit Fund, remained relatively the same as the prior year.

During the fiscal year ended March 31, 2011, the Township implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. As a result of implementing this new standard, the Postemployment Benefit Fund no longer met the definition of a special revenue type fund and, accordingly, the activity of this previously separately stated fund continues to be included in the activity of the General Fund for the year ended March 31, 2013.

**Police Fund** - Overall, Police Fund revenue decreased approximately 3.9 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 \$16.0 million this year in the Police Fund, a decrease of 2.5 percent below the prior year. This decrease is a net of taxable property values decreasing by 6 percent and offset by an adjustment correction for losses due to prior year tax revenues from Michigan tax tribunal appeals. The property tax revenue provided 93 percent of the revenue in the Police Fund. Federal and state grant revenue was 12.6 percent less than the previous year. Other revenue in the Police Fund shows a decrease of 31 percent or \$227,000, due to a \$107 decrease in 41-B District Court revenues and a \$120,000 decrease in omnibus crime seizures and forfeitures. Other financing sources in the Police Fund include a transfer from the Drug Forfeiture Fund in the amount of \$125,000. It also continues a transfer to the Police Fund from the Drug Enforcement Administration (DEA) Task Force Fund in the amount of \$175,000.

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 2012 tax roll.

Overall, Police Fund expenditures have decreased by 4.2 percent from the prior year. This decrease is primarily due to reductions in healthcare costs due to the implementation of Public Act 152 using the hard cap for the Township's portion of the expenditure, and a decrease in the actuarially determined annual required contribution into the pension fund. Conservative revenue projections, unfilled vacant positions, and carefully controlled spending resulted in favorable budget variances at year end.

# Charter Township of Clinton

## Management's Discussion and Analysis (Continued)

**Fire Fund** - This year, the 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* is recorded in the financial statements as a separate special revenue fund, rather than being included in the Fire Fund's totals as it was the prior year. 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 has continued at that rate. This levy, along with the ongoing four special assessment mills, generated \$12.3 million this year in the Fire Fund, a decrease of 2.5 percent below the prior year. This decrease is a net of taxable property values decreasing by 6 percent and offset by an adjustment correction for losses due to prior year tax revenues from Michigan tax tribunal appeals. The property tax revenue provided 97.6 percent of the revenue in the Fire Fund.

In order to make a comparison of the Fire Fund expenditures to the prior year expenditures, the expenditures paid from the Fire Fund and the SAFER grant will be combined since last year's Fire Fund totals included the SAFER grant. Overall, Fire Fund expenditures (including SAFER grant) have increased by approximately 2.5 percent from the prior year. Reduction in staffing levels took place during the fiscal year through attrition. However, most retirements took place at the end of the fiscal year and between this fact and the payouts of accumulated time off, any savings will take place in future years. The 2.5 percent, or \$243,000, increase in expenditures is primarily related to an equipment purchase related to a federal grant. The Fire Fund did not recognize the decreases in healthcare costs that the rest of the Township did related to Public Act 152, as the act did not apply to this group until April 1, 2013. 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 department include \$1.6 million for the salary and benefits for the 12 firefighter positions provided for through the SAFER grant and accounted for in a separate special revenue fund. Conservative revenue projections, unfilled vacant positions, and carefully controlled spending resulted in favorable budget variances at year end.

**Court Building Debt Service Fund** - Beginning July 1, 2006, the Township entered into an agreement with the City of Mount Clemens and Harrison Township for the management, operation, and establishment of a common fund for the 41-B District Court. Since July 1, 2006, court operations are reflected in this common fund, which is not included in these financial statements. Each local community's common fund, building equity, and related bond debt is equal to the percentage of the number of case filings generated by that local community during the applicable period. As of December 31, 2012, the Township's share is 69 percent.

# Charter Township of Clinton

## Management's Discussion and Analysis (Continued)

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 \$12,000,000, with the last payment payable on April 1, 2031.

**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 and October 2012, water and sewer rates were increased an additional 9.3 percent and 7.7 percent respectively, which was the result of passing along the increase received from the City of Detroit. The fixed charges were also increased during the current fiscal year. Additional debt issued on behalf of the Township during the last two fiscal years was approximately \$22 million and \$6.8 million, respectively. During the fiscal year ended March 31, 2012, the Oakland-Macomb Interceptor Drainage District (OMID) was approved for approximately \$25.5 million of loans from the Michigan State Revolving Fund (SRF) (OMID Series 2011). As of the current year end, the Township's portion of the draws from the SRF was just over \$1 million. The Township purchases 99 percent of its water from the City of Detroit and sewage treatment services are also provided by the City of Detroit through an operating agreement with the County of Macomb. The Township has adopted the policy of annually reviewing its water and sewer rates and passing along cost increases, including increases received from Detroit, to its customers. Despite this policy, the Township maintains water and sewer rates that are very competitive with neighboring communities. The system has enjoyed steady growth, ongoing and aggressive maintenance, and sound coverage of its debt.

For the fiscal year ended March 31, 2013, water and sewer operating revenue increased by 7.4 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 increased 3.8 percent. Operating expenses decreased by 1.0 percent due to the reduction in personnel costs due to staff reductions and a decrease in the cost of sewage treatment. Although there was an increase on rates paid for sewage treatment during the fiscal year of 6.3 percent, consumption (sewage outflows) decreased by 19 percent. General and administrative costs decreased by 7 percent from the prior year due to the administrative fee paid to the General Fund returning back to its normal levels after repaying back prior years' administrative fees. Contributions of water lines from developers remain significantly lower than prior years.

# **Charter Township of Clinton**

## **Management's Discussion and Analysis (Continued)**

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

The apartment complex is designed primarily for independent, middle-income seniors. The complex includes 188 one-bedroom and 124 two-bedroom apartments with monthly rents (including maintenance fees) set between \$480 and \$560 for current residents, respectively, and between \$510 and \$590 for incoming residents, respectively, during the fiscal year ended March 31, 2013.

The Senior Housing Fund received a subsidy of \$145,000 from the General Fund in the fiscal year ended March 31, 2012 for the first time since its inception and received an additional \$75,000 subsidy in the fiscal year ended March 31, 2013 to provide for current year expenditures not being met by current year revenues.

**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 position has increased by \$451,000. The rate increase instituted on February 1, 2010 provided the funding needed in this fund to avoid future decreases in net position. During the 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 \$64,522.

### **Capital Asset and Debt Administration**

The Township's investment in capital assets devoted to its governmental activities had a \$71.1 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 \$41.2 million.

# **Charter Township of Clinton**

## **Management's Discussion and Analysis (Continued)**

The Township's investment in capital assets devoted to its business-type activities had \$229.9 million historical cost invested in a wide range of capital assets, including land, buildings and improvements, furniture, equipment, construction in progress, and vehicles. Also included in that total is the Township's investment in infrastructure such as water mains, sewer lines, and water meters. Additions during the year totaled \$7.2 million, resulting primarily from water main and sanitary sewer replacements and improvements.

As of March 31, 2013, the Township had approximately \$187.0 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 (DPW) facility, together with related equipment, site improvements, appurtenances and attachments thereto, and the renovation and equipping of the Heritage Estates senior housing facility. Both projects have been completed. As mentioned earlier, the proceeds from this bond issue were used to purchase an existing structure in the Township to function as the new DPW maintenance facility building. 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 completed in 2008. Also included in the governmental activities are general obligation bonds for the construction and improvement of Township buildings.

Included in the long-term debt for business-type activities are Water Supply and Sewage Disposal System Revenue Bonds for acquiring and constructing additions, extensions, and improvements to the Township's Water Supply and Sewage Disposal System and Special Assessment Limited Tax Bonds for the purpose of defraying the cost of public improvements in certain special assessment districts in the Township. During the fiscal year ended March 31, 2012, the Oakland-Macomb Interceptor Drainage District (OMID) was approved for approximately \$25.5 million of loans from the Michigan State Revolving Fund (SRF) (OMID Series 2011). As of the current fiscal year ended March 31, 2013, the Township's portion of the draws from the SRF loan was approximately \$1 million (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's economy continues to experience a slow recovery, high unemployment, home foreclosures, and 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. The financial outlook has been made difficult due to falling property values with the full impact on revenues yet to be realized; however, we believe the upcoming fiscal year ending March 31, 2014 is the year in which taxable values will hit bottom. Proposal A will limit taxable value increases to the rate of inflation, which means it could take 15 to 20 years for the taxable values to return to what they were in 2008. The Township's Michigan tax tribunal appeals will continue to impact the Township's tax revenues in future years. Despite a reduction of 111 positions since 2002, a structural deficit still exists in the Township, particularly in the Police and Fire Funds. 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) for most of the bargaining units, which was enacted to limit a public employer's expenditures for employee medical benefit plans. In the upcoming fiscal year ending March 31, 2014, the Public Act 152 hard cap will apply to all bargaining units. The Township opted for the hard cap 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, property values, and local economies were key factors considered in the preparation of the Township's fiscal year 2013-2014 budget. The following significant issues were weighed in the budget process:

- \* Increases in healthcare costs (increases still exist for the hard cap each year)
- \* Funding for the liability related to future retiree healthcare expenditures
- \* Funding for the liability related to pension benefits
- \* Slow recovery of Michigan economy, high unemployment, and home foreclosure rates
- \* Slow recovery of taxable values due to Proposal A restrictions
- \* State of Michigan policy decision to shift revenue-sharing funding away from municipalities

# **Charter Township of Clinton**

## **Management's Discussion and Analysis (Continued)**

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.

### **Property Tax Revenue**

Property assessments have declined in the past four years and continued decreases are anticipated for 2013. As a result of a decline in home prices, residential property assessments have decreased by 24 percent over the past four years. As stated above, we believe the upcoming fiscal year ending March 31, 2014 is the year in which taxable values will hit bottom. However, Proposal A will limit taxable value increases to the rate of inflation, which means it could take 15 to 20 years for the taxable values to return to what they were in 2008. In an effort to recover some of the lost tax revenues, a proposal is being placed on the November 5, 2013 election ballot for an additional millage to provide for police and fire operations in order to provide the residents with the police and fire services to which they are accustomed.

### **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 \$2.8 million less in the 2012-2013 fiscal year than it received in the 2002-2003 fiscal year. State-shared revenue reductions equate to \$27.3 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 Position March 31, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 2)	\$ 54,097,786	\$ 13,951,452	\$ 68,049,238	\$ 344,617
Receivables:				
Property taxes receivable	2,368,816	-	2,368,816	-
Receivables from sales to customers on account	37,466	5,584,949	5,622,415	-
Other receivables	964,424	165	964,589	-
Due from other governmental units	6,142,085	446,358	6,588,443	32,849
Special assessments - Current	-	38,453	38,453	-
Due from component units	14,775	-	14,775	-
Internal balances (Note 4)	(600,693)	600,693	-	-
Inventory	-	241,695	241,695	-
Prepaid expenses and other assets	1,537,521	13,349	1,550,870	-
Restricted assets (Note 6)	-	6,651,099	6,651,099	-
Investment in joint ventures (Note 12)	1,688,708	547,306	2,236,014	-
Net pension/OPEB asset (Note 9)	459,662	-	459,662	-
Capital assets:				
Not depreciated (Note 3)	3,691,633	13,837,114	17,528,747	-
Depreciated - Net (Note 3)	37,503,721	131,008,774	168,512,495	844,448
Special assessment - Net of current portion	-	344,277	344,277	-
<b>Total assets</b>	<b>107,905,904</b>	<b>173,265,684</b>	<b>281,171,588</b>	<b>1,221,914</b>
<b>Liabilities</b>				
Accounts payable	1,044,377	3,291,354	4,335,731	116
Due to primary government	-	-	-	14,775
Accrued liabilities and other	1,721,359	275,085	1,996,444	-
Unearned revenue (Note 11)	24,373	-	24,373	-
Noncurrent liabilities (Note 5):				
Due within one year	3,219,226	3,106,711	6,325,937	-
Due in more than one year	27,494,156	46,374,442	73,868,598	-
<b>Total liabilities</b>	<b>33,503,491</b>	<b>53,047,592</b>	<b>86,551,083</b>	<b>14,891</b>
<b>Net Position</b>				
Invested in capital assets - Net of related debt	19,530,384	101,603,567	121,133,951	844,448
Restricted for:				
Fire department services	15,965,579	-	15,965,579	-
Police department services	21,905,330	-	21,905,330	-
Street light services	398,765	-	398,765	-
Drug forfeiture activities	483,201	-	483,201	-
Debt service	131,655	270,517	402,172	-
Bond covenants (Note 6)	-	1,565,677	1,565,677	-
Drainage services	281,103	-	281,103	-
DEA task force	45,021	-	45,021	-
Transportation	100,000	-	100,000	-
Accumulated long-term health benefits	673,812	-	673,812	-
Unrestricted	14,887,563	16,778,331	31,665,894	362,575
<b>Total net position</b>	<b>\$ 74,402,413</b>	<b>\$ 120,218,092</b>	<b>\$ 194,620,505</b>	<b>\$ 1,207,023</b>

# 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	\$ 3,715,414	\$ 161,904	\$ 1,997,797	\$ 315
Public safety	33,731,292	1,997,803	2,124,981	28,924
Public works	5,084,465	1,095,000	-	-
Community and economic development	900,399	-	-	-
Recreation and culture	2,349,888	476,836	-	-
Interest on long-term debt	1,120,076	-	-	-
Total governmental activities	46,901,534	3,731,543	4,122,778	29,239
Business-type activities:				
Water and sewer	27,414,766	32,173,259	589,212	202,036
Senior housing	1,555,291	1,985,360	-	-
Sanitation Fund	3,716,780	4,128,093	-	-
Special Assessment Fund	66,062	44,244	-	-
Total business-type activities	32,752,899	38,330,956	589,212	202,036
Total primary government	<u>\$ 79,654,433</u>	<u>\$ 42,062,499</u>	<u>\$ 4,711,990</u>	<u>\$ 231,275</u>
Component units:				
Economic Development Corporation	\$ 7,486	\$ -	\$ -	\$ -
Downtown Development Authority	52,028	-	-	-
Total component units	<u>\$ 59,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Other miscellaneous income				
Gain on sale of fixed assets				
Income from joint venture				
Total general revenue				
<b>Transfers</b> (Note 4)				
<b>Change in Net Position</b>				
<b>Net Position</b> - Beginning of year (Note 15)				
<b>Net Position</b> - End of year				

## Statement of Activities Year Ended March 31, 2013

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,555,398)	\$ -	\$ (1,555,398)	\$ -
(29,579,584)	-	(29,579,584)	-
(3,989,465)	-	(3,989,465)	-
(900,399)	-	(900,399)	-
(1,873,052)	-	(1,873,052)	-
(1,120,076)	-	(1,120,076)	-
(39,017,974)	-	(39,017,974)	-
-	5,549,741	5,549,741	-
-	430,069	430,069	-
-	411,313	411,313	-
-	(21,818)	(21,818)	-
-	6,369,305	6,369,305	-
(39,017,974)	6,369,305	(32,648,669)	-
-	-	-	(7,486)
-	-	-	(52,028)
-	-	-	(59,514)
31,813,686	-	31,813,686	86,856
7,393,708	-	7,393,708	-
47,772	42,766	90,538	1,240
2,494,684	(141,065)	2,353,619	400
459,548	191,000	650,548	-
229,099	-	229,099	-
42,438,497	92,701	42,531,198	88,496
(101,154)	101,154	-	-
3,319,369	6,563,160	9,882,529	28,982
71,083,044	113,654,932	184,737,976	1,178,041
<b>\$ 74,402,413</b>	<b>\$ 120,218,092</b>	<b>\$ 194,620,505</b>	<b>\$ 1,207,023</b>

# Charter Township of Clinton

## Governmental Funds Balance Sheet March 31, 2013

Assets	General Fund	Fire Fund	Police Fund	Court Building	Nonmajor	Total
				Debt Service		
				Fund		
Cash and investments (Note 2)	\$ 12,948,573	\$ 15,415,507	\$ 21,396,683	\$ -	\$ 4,337,023	\$ 54,097,786
Receivables:						
Taxes	424,796	810,916	1,058,821	-	74,283	2,368,816
Customers	-	-	-	-	37,466	37,466
Other	590,744	26,806	346,874	-	-	964,424
Due from other governmental units	1,777,476	-	-	3,720,000	644,609	6,142,085
Due from component units	14,775	-	-	-	-	14,775
Due from other funds (Note 4)	2,024,068	-	-	-	1,000	2,025,068
Prepaid expenses and other assets	1,531,512	1,620	4,048	-	341	1,537,521
<b>Total assets</b>	<b>\$ 19,311,944</b>	<b>\$ 16,254,849</b>	<b>\$ 22,806,426</b>	<b>\$ 3,720,000</b>	<b>\$ 5,094,722</b>	<b>\$ 67,187,941</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 346,825	\$ 97,438	\$ 552,940	\$ -	\$ 47,174	\$ 1,044,377
Due to other funds (Note 4)	655,613	-	-	-	1,970,148	2,625,761
Accrued liabilities and other	181,757	191,832	323,783	-	6,217	703,589
Unearned revenue	-	-	24,373	-	-	24,373
<b>Total liabilities</b>	<b>1,184,195</b>	<b>289,270</b>	<b>901,096</b>	<b>-</b>	<b>2,023,539</b>	<b>4,398,100</b>
<b>Deferred Inflows of Resources</b>						
State-shared revenue (Note 11)	587,640	-	-	-	-	587,640
Long-term debt paid by other governments (Note 11)	-	-	-	3,720,000	-	3,720,000
<b>Total deferred inflows of resources</b>	<b>587,640</b>	<b>-</b>	<b>-</b>	<b>3,720,000</b>	<b>-</b>	<b>4,307,640</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>1,771,835</b>	<b>289,270</b>	<b>901,096</b>	<b>3,720,000</b>	<b>2,023,539</b>	<b>8,705,740</b>
<b>Fund Balances</b>						
Nonspendable - Prepays	1,531,512	1,620	4,048	-	-	1,537,180
Restricted:						
Drainage	-	-	-	-	281,103	281,103
Police (\$13,092,857 for 2014 operations)	-	-	21,901,282	-	45,021	21,946,303
Fire (\$781,000 to purchase fire truck, \$10,026,548 for 2014 operations)	-	15,963,959	-	-	-	15,963,959
Debt service	-	-	-	-	131,655	131,655
Drug forfeiture	-	-	-	-	483,201	483,201
Street lighting	-	-	-	-	398,765	398,765
Accumulated long-term health benefits	609,161	-	-	-	-	609,161
Transportation	-	-	-	-	100,000	100,000
Assigned:						
Workers' compensation claims	250,000	-	-	-	-	250,000
Accumulated long-term benefits	335,879	-	-	-	-	335,879
Capital projects	-	-	-	-	1,631,438	1,631,438
Unassigned	14,813,557	-	-	-	-	14,813,557
<b>Total fund balances</b>	<b>17,540,109</b>	<b>15,965,579</b>	<b>21,905,330</b>	<b>-</b>	<b>3,071,183</b>	<b>58,482,201</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 19,311,944</b>	<b>\$ 16,254,849</b>	<b>\$ 22,806,426</b>	<b>\$ 3,720,000</b>	<b>\$ 5,094,722</b>	<b>\$ 67,187,941</b>

# Charter Township of Clinton

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## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position March 31, 2013

<b>Fund Balance Reported in Governmental Funds</b>	\$ 58,482,201
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	41,195,354
Investments in joint ventures are not financial resources and are not reported in the funds	1,688,708
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures	4,307,642
Notes and bonds payable are not due and payable in the current period and are not reported in the funds	(27,199,970)
Accrued interest is not due and payable in the current period and is not reported in the funds	(62,310)
Accrued workers' compensation liability is not reported in the governmental funds	(955,460)
Net other postemployment benefit asset is not reported in the governmental funds	459,662
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	<u>(3,513,414)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 74,402,413</u></b>

# Charter Township of Clinton

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2013

	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		
<b>Revenue</b>						
Property taxes	\$ 2,287,976	\$ 12,257,258	\$ 16,021,533	\$ -	\$ 1,675,216	\$ 32,241,983
Licenses and permits	1,385,058	-	58,943	-	-	1,444,001
Federal sources	40,289	267,275	58,504	-	3,369,503	3,735,571
State-shared revenue and grants	7,666,295	-	222,101	-	-	7,888,396
Fines and forfeitures	-	-	-	-	204,838	204,838
Interest	20,598	22,726	32,424	-	4,448	80,196
Other revenue:						
Special assessments	-	-	-	-	6,091	6,091
Local donations	160,652	-	-	838,200	-	998,852
Other miscellaneous income	3,179,827	9,224	498,527	-	262,800	3,950,378
Total revenue	14,740,695	12,556,483	16,892,032	838,200	5,522,896	50,550,306
<b>Expenditures</b>						
Current:						
General government	4,920,760	-	-	-	828,672	5,749,432
Public safety	1,286,897	11,629,502	17,027,508	-	1,714,878	31,658,785
Public works	3,605,391	-	-	-	627,211	4,232,602
Community and economic development	577,360	-	-	-	323,039	900,399
Recreation and culture	2,108,360	-	-	-	-	2,108,360
Capital outlay	-	-	-	-	2,018,476	2,018,476
Debt service:						
Principal	78,750	430,000	-	300,000	1,199,982	2,008,732
Interest on long-term debt	71,644	186,862	-	538,200	358,160	1,154,866
Total expenditures	12,649,162	12,246,364	17,027,508	838,200	7,070,418	49,831,652
<b>Excess of Revenue Over (Under) Expenditures</b>	2,091,533	310,119	(135,476)	-	(1,547,522)	718,654
<b>Other Financing Sources (Uses)</b>						
Proceeds from sale of capital assets	481,488	2,425	25,289	-	8,100	517,302
Transfers in (Note 4)	-	-	300,000	-	334,953	634,953
Transfers out (Note 4)	(409,953)	-	-	-	(326,154)	(736,107)
Total other financing sources	71,535	2,425	325,289	-	16,899	416,148
<b>Net Change in Fund Balances</b>	2,163,068	312,544	189,813	-	(1,530,623)	1,134,802
<b>Fund Balances - Beginning of year (as restated) (Note 16)</b>	15,377,041	15,653,035	21,715,517	-	4,601,806	57,347,399
<b>Fund Balances - End of year</b>	<u>\$ 17,540,109</u>	<u>\$ 15,965,579</u>	<u>\$ 21,905,330</u>	<u>\$ -</u>	<u>\$ 3,071,183</u>	<u>\$ 58,482,201</u>



# Charter Township of Clinton

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2013**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 1,134,802</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay and donated assets	3,350,514
Depreciation expense	(2,168,390)
Net book value of assets disposed of	(57,754)
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	(1,132,894)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,037,613
Interest expense is recorded in the statement of activities when incurred; it is not reported in the governmental funds until paid	5,909
The net other postemployment benefit asset is decreased by the difference between the actuarial required contributions for postemployment benefits compared to the actual contributions remitted	(284,719)
Increase in accumulated workers' compensation accrual decreases net position in the statement of activities	(278,601)
Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	483,792
Income from joint ventures is not recorded in the funds	229,097
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 3,319,369</u></b>

# Charter Township of Clinton

## Proprietary Funds Statement of Net Position March 31, 2013

	Major Funds			Nonmajor Proprietary Fund	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	
<b>Assets</b>					
Current assets:					
Cash and cash equivalents (Note 2)	\$ 12,363,333	\$ 274,803	\$ 865,166	\$ 448,150	\$ 13,951,452
Receivables:					
Special assessments receivable -					
Current	-	-	-	38,453	38,453
Customers	4,758,765	-	826,184	-	5,584,949
Other	-	165	-	-	165
Due from other governmental units	446,358	-	-	-	446,358
Due from other funds (Note 4)	655,613	-	313,780	5,038	974,431
Inventory	241,695	-	-	-	241,695
Prepaid expenses and other assets	3,043	10,306	-	-	13,349
	<u>18,468,807</u>	<u>285,274</u>	<u>2,005,130</u>	<u>491,641</u>	<u>21,250,852</u>
Total current assets					
Noncurrent assets:					
Restricted assets (Note 6)	6,651,099	-	-	-	6,651,099
Special assessment receivables - Net of current portion	-	-	-	344,277	344,277
Investment in joint ventures (Note 12)	-	-	547,306	-	547,306
Capital assets - Net (Note 3)	133,805,632	10,861,624	178,632	-	144,845,888
	<u>140,456,731</u>	<u>10,861,624</u>	<u>725,938</u>	<u>344,277</u>	<u>152,388,570</u>
Total noncurrent assets					
Total assets	158,925,538	11,146,898	2,731,068	835,918	173,639,422
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	2,996,748	9,255	285,351	-	3,291,354
Due to other funds (Note 4)	328,337	-	-	45,401	373,738
Accrued liabilities and other	158,444	116,641	-	-	275,085
Compensated absences - Less than one year (Note 5)	64,501	-	-	-	64,501
Current portion of long-term debt (Note 5)	1,917,290	914,920	-	210,000	3,042,210
	<u>5,465,320</u>	<u>1,040,816</u>	<u>285,351</u>	<u>255,401</u>	<u>7,046,888</u>
Total current liabilities					
Noncurrent liabilities:					
Compensated absences - Greater than one year (Note 5)	150,502	-	-	-	150,502
Refundable bonds and deposits	314,346	104,061	-	-	418,407
Long-term debt (Note 5)	41,087,942	4,407,591	-	310,000	45,805,533
	<u>41,552,790</u>	<u>4,511,652</u>	<u>-</u>	<u>310,000</u>	<u>46,374,442</u>
Total noncurrent liabilities					
Total liabilities	47,018,110	5,552,468	285,351	565,401	53,421,330
<b>Net Position</b>					
Net investment in capital assets	95,885,822	5,539,113	178,632	-	101,603,567
Restricted:					
Debt service	-	-	-	270,517	270,517
Bond covenants (Note 6)	1,565,677	-	-	-	1,565,677
Unrestricted	14,455,929	55,317	2,267,085	-	16,778,331
	<u>\$ 111,907,428</u>	<u>\$ 5,594,430</u>	<u>\$ 2,445,717</u>	<u>\$ 270,517</u>	<u>120,218,092</u>
Total net position					
<b>Net Position of Business-type Activities</b>					<b>\$ 120,218,092</b>

# Charter Township of Clinton

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended March 31, 2013

	Major Funds			Nonmajor Proprietary Fund	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	
<b>Operating Revenue</b>					
Charges for sales and services	\$ 31,517,465	\$ -	\$ 4,123,943	\$ -	\$ 35,641,408
Rent	-	1,963,764	-	-	1,963,764
Other	396,673	21,596	4,150	44,244	466,663
Total operating revenue	31,914,138	1,985,360	4,128,093	44,244	38,071,835
<b>Operating Expenses</b>					
Cost of water and sewage disposal	15,096,267	-	-	-	15,096,267
Operation and maintenance	1,064,317	821,848	3,633,979	39,418	5,559,562
General and administrative	1,963,429	-	-	-	1,963,429
Salaries and fringe benefits	3,963,033	-	-	-	3,963,033
Depreciation	3,937,666	427,771	18,279	-	4,383,716
Total operating expenses	26,024,712	1,249,619	3,652,258	39,418	30,966,007
<b>Operating Income</b>	5,889,426	735,741	475,835	4,826	7,105,828
<b>Nonoperating Revenue (Expenses)</b>					
Investment income	10,347	244	3,863	28,312	42,766
Interest expense	(1,331,248)	(305,672)	-	(26,644)	(1,663,564)
Other nonoperating expenses	(58,806)	-	(64,522)	-	(123,328)
Gain on sale of assets	155,000	-	36,000	-	191,000
Other nonoperating revenue	325,412	-	-	-	325,412
Debt, capital charges, and tap fees	259,121	-	-	-	259,121
Federal interest subsidy	263,800	-	-	-	263,800
Bond issuance costs	(141,065)	-	-	-	(141,065)
Total nonoperating (expenses) revenue	(517,439)	(305,428)	(24,659)	1,668	(845,858)
<b>Income - Before contributions</b>	5,371,987	430,313	451,176	6,494	6,259,970
<b>Capital Contributions - Lines donated by developers</b>	202,036	-	-	-	202,036
<b>Transfers in from Other Funds (Note 4)</b>	-	101,154	-	-	101,154
<b>Change in Net Position</b>	5,574,023	531,467	451,176	6,494	6,563,160
<b>Net Position - Beginning of year (as restated) (Note 15)</b>	106,333,405	5,062,963	1,994,541	264,023	113,654,932
<b>Net Position - End of year</b>	<u>\$ 111,907,428</u>	<u>\$ 5,594,430</u>	<u>\$ 2,445,717</u>	<u>\$ 270,517</u>	<u>\$ 120,218,092</u>

# Charter Township of Clinton

## Proprietary Funds Statement of Cash Flows Year Ended March 31, 2013

	Major Funds			Nonmajor Proprietary Fund	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 31,785,820	\$ 1,985,515	\$ 3,799,244	\$ 212,500	\$ 37,783,079
Payments to suppliers	(17,338,276)	(900,958)	(3,429,506)	(40,363)	(21,709,103)
Payments to employees	(3,990,610)	-	(269,078)	-	(4,259,688)
Net cash provided by operating activities	10,456,934	1,084,557	100,660	172,137	11,814,288
<b>Cash Flows from Noncapital Financing Activities</b>					
Operating grants and subsidies	627,364	-	-	-	627,364
Transfers from other funds	-	101,154	-	-	101,154
Net cash provided by noncapital financing activities	627,364	101,154	-	-	728,518
<b>Cash Flows from Capital and Related Financing Activities</b>					
Proceeds from sales of capital assets	155,000	-	64,500	-	219,500
Purchase of capital assets	(2,934,268)	(3,600)	(119,820)	-	(3,057,688)
Principal, issuance costs, and interest paid on capital debt	(3,637,039)	(951,086)	-	(236,644)	(4,824,769)
Collection of debt, capital charges, and tap fees	259,121	-	-	-	259,121
Net cash used in capital and related financing activities	(6,157,186)	(954,686)	(55,320)	(236,644)	(7,403,836)
<b>Cash Flows from Investing Activities -</b>					
Interest received on investments	10,347	244	3,863	28,312	42,766
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	4,937,459	231,269	49,203	(36,195)	5,181,736
<b>Cash and Cash Equivalents - Beginning of year</b>	8,991,551	43,534	815,963	484,345	10,335,393
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 13,929,010</u>	<u>\$ 274,803</u>	<u>\$ 865,166</u>	<u>\$ 448,150</u>	<u>\$ 15,517,129</u>

# Charter Township of Clinton

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended March 31, 2013

	Major Funds			Nonmajor Proprietary Fund	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>					
Cash and investments per balance sheet	\$ 12,363,333	\$ 274,803	\$ 865,166	\$ 448,150	\$ 13,951,452
Restricted cash and cash investments	1,565,677	-	-	-	1,565,677
Total cash and cash equivalents	<u>\$ 13,929,010</u>	<u>\$ 274,803</u>	<u>\$ 865,166</u>	<u>\$ 448,150</u>	<u>\$ 15,517,129</u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>					
Operating income	\$ 5,889,426	\$ 735,741	\$ 475,835	\$ 4,826	\$ 7,105,828
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation	3,937,666	427,771	18,279	-	4,383,716
Changes in assets and liabilities:					
Receivables	(39,476)	4	(15,171)	127,893	73,250
Due from others	(699,343)	-	(313,678)	(5,038)	(1,018,059)
Inventories	101,585	-	-	-	101,585
Prepaid and other assets	10,206	-	-	-	10,206
Accounts payable	892,064	(78,959)	(64,605)	(945)	747,555
Due to others	328,235	-	-	45,401	373,636
Accrued and other liabilities	(27,577)	-	-	-	(27,577)
Customer deposits	64,148	-	-	-	64,148
Net cash provided by operating activities	<u>\$ 10,456,934</u>	<u>\$ 1,084,557</u>	<u>\$ 100,660</u>	<u>\$ 172,137</u>	<u>\$ 11,814,288</u>
<b>Significant Noncash Investing and Financing Transactions</b>					
Contribution of capital assets from developers and other funds	\$ 202,036	\$ -	\$ -	\$ -	\$ 202,036
Capital asset additions related to County interceptor projects	1,232,031	-	-	-	1,232,031

# Charter Township of Clinton

## Fiduciary Funds Statement of Net Position March 31, 2013

	Pension and Other Employee Benefit Trust Funds	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,735	\$ 2,923,445
Investments:		
Bank investment pools	10,405,888	-
Money market funds	2,259,731	-
U.S. Treasury notes	1,884,267	-
Mutual funds	44,111,816	-
Common stock	36,193,723	-
U.S. government agency securities	3,060,500	-
Corporate bonds	14,580,866	-
Hedge funds	9,144,850	-
Real estate investment trusts	3,105,895	-
Limited partnerships	15,104,575	-
Receivables	-	2,125
Total assets	<u>139,855,846</u>	<u>\$ 2,925,570</u>
<b>Liabilities</b>		
Benefits payable and other liabilities	3,430,435	\$ 2,475
Due to other governmental units	-	2,150,274
Due to component units	-	32,849
Refundable deposits, bonds, etc.	-	739,972
Collateral for securities lending	1,161,706	-
Total liabilities	<u>4,592,141</u>	<u>\$ 2,925,570</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<u><b>\$ 135,263,705</b></u>	

# Charter Township of Clinton

## Fiduciary Funds Statement of Changes in Net Position Year Ended March 31, 2013

	Pension and Other Employee Benefit Trust Funds
<b>Additions</b>	
Investment income (loss):	
Interest and dividends	\$ 2,909,564
Net increase in fair value of investments	6,144,770
Investment-related expenses	<u>(605,519)</u>
Net investment income	8,448,815
Securities lending income:	
Interest and fees	16,014
Less borrower rebates and fees	<u>(4,856)</u>
Net securities lending income	11,158
Contributions:	
Employer	6,990,366
Employee	<u>1,067,974</u>
Total contributions	<u>8,058,340</u>
Total additions	16,518,313
<b>Deductions</b>	
Benefit payments and annuity withdrawals	10,645,450
Administrative expenses	<u>49,428</u>
Total deductions	<u>10,694,878</u>
<b>Net Increase in Net Position Held in Trust</b>	5,823,435
<b>Net Position Held in Trust for Pension and Other Employee Benefits -     Beginning of year</b>	<u>129,440,270</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits -     End of year</b>	<u><u>\$ 135,263,705</u></u>

# Charter Township of Clinton

## Component Units Statement of Net Position March 31, 2013

	Economic Development Corporation	Downtown Development Authority	Total
<b>Assets</b>			
Cash and investments (Note 2)	\$ 102,087	\$ 242,530	\$ 344,617
Receivables	-	32,849	32,849
Capital assets being depreciated - Net (Note 3)	-	844,448	844,448
Total assets	102,087	1,119,827	1,221,914
<b>Liabilities</b>			
Accounts payable	-	116	116
Due to primary government	14,775	-	14,775
Total liabilities	14,775	116	14,891
<b>Net Position</b>			
Invested in capital assets - Net of related debt	-	844,448	844,448
Unrestricted	87,312	275,263	362,575
Total net position	<u>\$ 87,312</u>	<u>\$ 1,119,711</u>	<u>\$ 1,207,023</u>



# Charter Township of Clinton

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	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Economic Development Corporation - Public works	\$ 7,486	\$ -	\$ -	\$ -
Downtown Development Authority - Public works	52,028	-	-	-
Total component units	<b>\$ 59,514</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

General revenue:

Property taxes

Investment income (loss)

Other miscellaneous income

Total general revenue

**Change in Net Position**

**Net Position** - Beginning of year

**Net Position** - End of year

**Component Units  
Statement of Activities  
Year Ended March 31, 2013**

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Economic Development Corporation</u>	<u>Downtown Development Authority</u>	<u>Total</u>
\$ (7,486)	\$ -	\$ (7,486)
<u>-</u>	<u>(52,028)</u>	<u>(52,028)</u>
(7,486)	(52,028)	(59,514)
-	86,856	86,856
1,246	(6)	1,240
<u>-</u>	<u>400</u>	<u>400</u>
<u>1,246</u>	<u>87,250</u>	<u>88,496</u>
(6,240)	35,222	28,982
<u>93,552</u>	<u>1,084,489</u>	<u>1,178,041</u>
<b><u>\$ 87,312</u></b>	<b><u>\$ 1,119,711</u></b>	<b><u>\$ 1,207,023</u></b>

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2013

### Note I - Nature of Business and Significant Accounting Policies

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

#### **Reporting Entity**

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

The accompanying basic financial statements have been prepared in accordance with criteria established by Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, 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

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## Notes to Financial Statements March 31, 2013

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

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

#### **Government-wide and Fund Financial Statements**

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

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

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

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2013

### **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 an "unearned 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, 2013

### 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.

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

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

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

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2013

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

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

#### **Property Tax Revenue**

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

The 2012 taxable valuation (real and personal property) of the Township totaled \$2,570,436,695, 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 .45 mills for the retirement of police building debt. The ad valorem taxes generated \$2,119,325 for general operations, \$2,514,658 for fire operations, \$3,855,655 for police operations, and \$1,156,697 for police building debt retirement. The 2012 real property taxable valuation of the Township totaled \$2,386,463,558, on which special assessments levied consisted of 5 mills for police operations and 4 mills for fire operations. The special assessment levies generated \$11,932,318 for police operations and \$9,545,854 for fire operations. The industrial facilities tax roll generated \$13,280 for general operations, \$46,739 for police operations, \$33,820 for fire operations, and \$7,248 for police building debt retirement. These amounts are recorded in their respective funds as tax revenue.

#### **Assets, Liabilities, and Net Position or Equity**

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

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2013

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

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

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

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

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

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

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



# Charter Township of Clinton

## Notes to Financial Statements March 31, 2013

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

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, \$411,827 of interest expense was capitalized as part of the cost of assets under construction.

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

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

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

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred, except any portion related to prepaid insurance costs. Prepaid insurance costs are reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2013

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

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

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

- **Nonspendable** - Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted** - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed** - Amounts that have been formally set aside by the board of trustees for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board of trustees.
- **Assigned** - 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, 2013

### 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, 2012		\$ (4,880,000)
Fiscal 2013 building department activity:		
Permit revenue	\$ 1,385,000	
Expenditures	<u>(1,276,000)</u>	
Excess of revenue over expenditures		<u>109,000</u>
Cumulative expenditures over revenue - March 31, 2013		<u>\$ (4,771,000)</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 13 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, 2013

### 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, 2013, 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, 2013 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, 2013, 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, 2013 were \$1,161,706 and \$1,143,420, 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 \$81 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, 2013

### 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 \$2,259,731 in 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	\$ 14,580,867	Counterparty
Real estate investment trusts	3,105,895	Counterparty
Limited partnerships	15,104,575	Counterparty
Equity securities	36,193,722	Counterparty
Foreign mutual funds	10,021,368	Counterparty
Mutual funds	10,282,320	Counterparty
United States Treasury bonds	1,884,267	Counterparty
United States government agencies	3,060,500	Counterparty
Total uninsured and unregistered	<u>\$ 94,233,514</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	\$ 10,186,243	\$ 10,186,243	\$ -	\$ -
U.S. government or agency securities	3,060,500	120,120	410,486	2,529,894
Corporate bonds	14,580,865	7,915,717	2,802,413	3,862,735

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2013

### 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	\$ 14,616,507	AAA	Moody's
Bank investment pool	37,157,037	Not rated	N/A
Bank investment pool	2,003,520	AAAm	Standard & Poor's
Corporate bonds	14,580,865	AAA - BBB-	Standard & Poor's
U.S. Treasury	1,884,267	Not rated	N/A
U.S. government agency	3,060,500	Not rated	N/A
Mutual funds	10,021,368	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	\$ 30,851	Australian dollar
Foreign mutual fund holdings	466,287	Brazilian real
Foreign mutual fund holdings	326,291	Chilean peso
Foreign mutual fund holdings	31,538	Euro
Foreign mutual fund holdings	1,266,481	British pound
Foreign mutual fund holdings	434,019	Malaysian ringgit
Foreign mutual fund holdings	1,504,646	Mexican peso
Foreign mutual fund holdings	25,863	New Zealand dollar
Foreign mutual fund holdings	624,971	Polish zloty
Foreign mutual fund holdings	355,347	South African rand
Foreign mutual fund holdings	240,334	South Korean won

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2013

### Note 3 - Capital Assets

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

	Balance April 1, 2012	Additions	Disposals	Balance March 31, 2013
<b>Governmental Activities</b>				
Capital assets not being depreciated - Land	\$ 3,496,611	\$ 195,022	\$ -	\$ 3,691,633
Capital assets being depreciated:				
Buildings and building improvements	41,806,394	1,811,885	-	43,618,279
Operating equipment	5,892,638	476,705	(76,796)	6,292,547
Vehicles	6,645,734	479,405	(834,773)	6,290,366
Office furniture and equipment	5,624,840	344,720	(410,005)	5,559,555
Land improvements	2,947,241	35,777	-	2,983,018
Infrastructure assets	2,715,851	7,000	-	2,722,851
Subtotal	65,632,698	3,155,492	(1,321,574)	67,466,616
Accumulated depreciation:				
Buildings and building improvements	11,920,169	1,109,965	-	13,030,134
Operating equipment	3,990,418	443,666	(76,796)	4,357,288
Vehicles	5,779,387	358,037	(777,019)	5,360,405
Office furniture and equipment	5,456,890	81,436	(410,005)	5,128,321
Land improvements	1,667,218	120,969	-	1,788,187
Infrastructure assets	244,243	54,317	-	298,560
Subtotal	29,058,325	2,168,390	(1,263,820)	29,962,895
Net capital assets being depreciated	36,574,373	987,102	(57,754)	37,503,721
Net capital assets	\$ 40,070,984	\$ 1,182,124	\$ (57,754)	\$ 41,195,354

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2013

### Note 3 - Capital Assets (Continued)

	Balance April 1, 2012	Reclassifications	Additions	Disposals and Adjustments	Balance March 31, 2013
<b>Business-type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
Construction in progress	8,741,191	(2,518,967)	6,614,890	-	12,837,114
Subtotal	9,741,191	(2,518,967)	6,614,890	-	13,837,114
Capital assets being depreciated:					
Structures, mains, and laterals	186,773,936	2,518,967	202,034	-	189,494,937
Meters	4,614,629	-	101,584	-	4,716,213
Buildings and improvements	15,923,375	-	3,600	-	15,926,975
Equipment	2,357,991	-	272,153	(111,600)	2,518,544
Vehicles	2,203,956	-	315,851	(295,700)	2,224,107
Furniture and fixtures	721,181	-	101,600	-	822,781
Land improvements	349,173	-	-	-	349,173
Subtotal	212,944,241	2,518,967	996,822	(407,300)	216,052,730
Accumulated depreciation:					
Structures, mains, and laterals	67,017,567	-	3,592,325	-	70,609,892
Meters	3,659,866	-	111,513	-	3,771,379
Buildings and improvements	5,837,656	-	404,493	-	6,242,149
Equipment	1,944,001	-	97,623	(83,100)	1,958,524
Vehicles	1,718,327	-	150,657	(295,700)	1,573,284
Furniture and fixtures	712,526	-	3,827	-	716,353
Land improvements	149,097	-	23,278	-	172,375
Subtotal	81,039,040	-	4,383,716	(378,800)	85,043,956
Net capital assets being depreciated	131,905,201	2,518,967	(3,386,894)	(28,500)	131,008,774
Net capital assets	\$ 141,646,392	\$ -	\$ 3,227,996	\$ (28,500)	\$ 144,845,888

	Balance April 1, 2012	Additions	Disposals and Adjustments	Balance March 31, 2013
<b>Component Units</b>				
Capital assets being depreciated - Land improvements	\$ 798,327	\$ 85,445	\$ -	\$ 883,772
Accumulated depreciation - Land improvements	21,893	17,431	-	39,324
Net capital assets being depreciated	\$ 776,434	\$ 68,014	\$ -	\$ 844,448



# Charter Township of Clinton

## Notes to Financial Statements March 31, 2013

### Note 3 - Capital Assets (Continued)

Construction in progress includes:

- \$6,986,242 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.
- \$180,248 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.
- \$2,923,106 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	\$ 240,781
Public safety	1,179,210
Public works	116,976
Recreation and senior activities	320,702
Infrastructure assets constructed by special assessment fund	<u>310,721</u>
Total governmental activities	<u>\$ 2,168,390</u>

Business-type activities:

Water and sewer	\$ 3,937,666
Sanitation	18,279
Senior housing	<u>427,771</u>
Total business-type activities	<u>\$ 4,383,716</u>

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2013

### Note 4 - Interfund Receivables, Payables, and Transfers

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

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 9,519
	Other nonmajor funds	<u>2,014,549</u>
	Total General Fund	2,024,068
Sanitation Fund	Water and Sewer Fund	313,780
Water and Sewer Fund	General Fund	655,613
Other nonmajor funds	Water and Sewer Fund	5,038
	Other nonmajor funds	<u>1,000</u>
	Total other nonmajor funds	<u>6,038</u>
	Total	<u>\$ 2,999,499</u>

Receivable Fund	Payable Fund	Amount
<b>Due to/from Primary Government and Component Units</b>		
General Fund	Economic Development Corporation	<u>\$ 14,775</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:

Transfers Out	Transfers In	Amount
General Fund	Senior Housing Fund (1)	\$ 75,000
	Other nonmajor funds (1)	<u>334,953</u>
	Total General Fund	409,953
Other nonmajor funds	Police Fund (2)	300,000
	Senior Housing Fund (2)	<u>26,154</u>
	Total other nonmajor funds	<u>326,154</u>
	Total	<u>\$ 736,107</u>

(1) Transfer of discretionary funds for operational usage

(2) Transfer of discretionary funds for capital improvement projects

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2013

### 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, 2013. 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, 2013

### 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
<b>Governmental Activities</b>						
Building Authority Refunding Bonds - Series 1998:*						
Amount of issue - \$10,390,000 Maturing through 2017	4.80% - 5.50%	\$246,330 - \$315,945	\$ 1,618,281	\$ (249,544)	\$ 1,368,737	\$ 246,330
Police Building Bonds - Series 1998:						
Amount of issue - \$8,000,000 Maturing through 2018	4.00% - 4.75%	\$550,000 - \$725,000	3,575,000	(500,000)	3,075,000	550,000
Police Building Bonds - Series 1999:						
Amount of issue - \$5,900,000 Maturing through 2018	4.00%	\$450,000 - \$600,000	2,950,000	(400,000)	2,550,000	450,000
Fire Building Refunding Bonds - Series 2011:						
Amount of issue - \$6,355,000 Maturing through 2022	2.50% - 3.50%	\$460,000 - \$710,000	5,965,000	(430,000)	5,535,000	460,000
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	12,300,000	(300,000)	12,000,000	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	(78,750)	2,108,750	78,750
MDOT Infrastructure Loan:						
Loan amount - \$477,720 Maturing through 2019	1.00%	\$47,516 - \$49,936	339,360	(47,045)	292,315	47,516
MDOT Infrastructure Loan:						
Loan amount - \$334,405 Maturing through 2021	1.00%	\$32,606 - \$34,962	302,442	(32,274)	270,168	32,606
Total bond/loan obligations			29,237,583	(2,037,613)	27,199,970	2,165,202
Other long-term obligations - Compensated absences			3,997,204	(483,792)	3,513,412	1,054,024
Total governmental activities			\$ 33,234,787	\$ (2,521,405)	\$ 30,713,382	\$ 3,219,226

\* 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, 2013

### Note 5 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
<b>Business-type Activities</b>						
Building Authority Refunding Bonds - Series 1998:*						
Amount of issue - \$10,390,000		\$903,670 -				
Maturing through 2017	4.80% - 5.50%	\$1,159,055	\$ 5,936,712	\$ (915,457)	\$ 5,021,255	\$ 903,670
Capital Improvement Bonds - Series 2010						
Amount of issue - \$312,500		\$11,250 -				
Maturing through 2032	2.00% - 4.00%	\$22,500	312,500	(11,250)	301,250	11,250
2004 Special Assessment Bonds - Limited Tax Bonds (Project Nos. P1000, P1006, P1018, P1029, and S1013):						
Amount of issue - \$1,115,000						
Maturing through 2014	3.65% - 3.80%	\$110,000	330,000	(110,000)	220,000	110,000
2006 Special Assessment Bonds - Limited Tax Bonds (Project Nos. S-1052, W-1053, an P-1056):						
Amount of issue - \$955,000						
Maturing through 2015	4.00%	\$100,000	400,000	(100,000)	300,000	100,000
Revenue bonds:						
Revenue Refunding Bonds - Series 1998:						
Amount of issue - \$4,110,000						
Maturing through 2013	5.00%	\$240,000	480,000	(240,000)	240,000	240,000
Revenue Bonds - Series 2001:						
Amount of issue - \$8,000,000		\$400,000 -				
Maturing through 2022	4.00%	\$650,000	5,475,000	(375,000)	5,100,000	400,000
Revenue Refunding Bonds - Series 2004:						
Amount of issue - \$2,570,000		\$5,000 -				
Maturing through 2016	3.10% - 3.40%	\$335,000	1,385,000	(390,000)	995,000	5,000
Revenue Bonds - CWRP Project 5191-01:						
Amount of issue - \$1,405,000		\$70,000 -				
Maturing through 2024	2.125%	\$85,000	915,000	(70,000)	845,000	70,000
Revenue Bonds - SQWIF Project 3001-01:						
Amount of issue - \$270,000						
Maturing through 2024	1.625%	\$15,000	128,471	(10,000)	118,471	10,000
Revenue Bonds - Series 2006:						
Amount of issue - \$5,000,000		\$200,000 -				
Maturing through 2026	3.75% - 4.30%	\$400,000	4,500,000	(100,000)	4,400,000	200,000
County drain contract obligations:						
North Gratiot Interceptor Drainage District - Series 2010:						
Amount of issue - \$172,370		\$5,283 -				
Maturing through 2035	1.00% - 6.35%	\$9,906	163,785	(5,283)	158,502	5,385
North Gratiot Interceptor Drainage District - Series 2008:						
Amount of issue - \$1,853,714		\$62,233 -				
Maturing through 2033	3.75% - 5.00%	\$99,573	1,688,588	(41,489)	1,647,099	62,233
2010A OMID Drainage District (SRF):						
Amount of issue - \$2,932,468		\$120,330 -				
Maturing through 2031	2.50%	\$183,869	2,653,053	2,451	2,655,504	120,330
2010B OMID Drainage District:						
Amount of issue - \$753,472		\$26,989 -				
Maturing through 2030	2.45% - 5.90%	\$58,481	706,802	(25,865)	680,937	26,990
2011 OMID Drainage District:						
Amount of issue - \$3,524,966		\$138,072 -				
Maturing through 2033	2.50%	\$220,224	223,549	1,112,061	1,335,610	-
2010A MID Drainage District:						
Amount of issue - \$18,226,352		\$574,696 -				
Maturing through 2035	1.25% - 5.38%	\$1,073,147	17,657,374	(574,696)	17,082,678	581,368
2011 MID Drainage District (Clintondale):						
Amount of issue - \$6,725,673		\$185,611 -				
Maturing through 2031	5.00%	\$545,915	6,572,817	(174,693)	6,398,124	185,611
Total bond obligations			49,528,651	(2,029,221)	47,499,430	3,031,837

\* 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, 2013

### Note 5 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
<b>Business-type Activities (Continued)</b>						
Other long-term obligations:						
Compensated absences			\$ 247,658	\$ (32,655)	\$ 215,003	\$ 64,501
Bond issuance premium			401,753	(21,145)	380,608	21,145
Bond issuance discount			(247,746)	10,772	(236,974)	(10,772)
Deposits			354,108	64,299	418,407	-
Restricted assets held at county			666,114	538,565	1,204,679	-
Total business-type activities			50,950,538	(1,469,385)	49,481,153	3,106,711
Total primary government			\$ 84,185,325	\$ (3,990,790)	\$ 80,194,535	\$ 6,325,937

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
2014	\$ 2,165,202	\$ 1,082,313	\$ 3,247,515	\$ 3,031,837	\$ 1,789,787	\$ 4,821,624
2015	2,235,648	998,180	3,233,828	3,312,799	1,680,217	4,993,016
2016	2,540,550	907,148	3,447,698	3,388,118	1,558,216	4,946,334
2017	2,659,221	807,179	3,466,400	3,412,540	1,424,791	4,837,331
2018	2,941,819	708,599	3,650,418	3,323,488	1,295,986	4,619,474
2019-2023	6,363,156	2,492,558	8,855,714	12,140,754	4,983,707	17,124,461
2024-2028	4,703,750	1,422,427	6,126,177	10,266,739	2,932,962	13,199,701
2029-2033	3,590,624	318,388	3,909,012	8,507,934	1,208,383	9,716,317
2034-2035	-	-	-	2,349,759	114,993	2,464,752
Total	\$ 27,199,970	\$ 8,736,792	\$ 35,936,762	\$ 49,733,968	\$ 16,989,042	\$ 66,723,010

During the year ended March 31, 2012, the Oakland-Macomb Interceptor Drainage District (OMID) was approved for approximately \$25.5 million of loans from the Michigan State Revolving Fund (SRF) (OMID Series 2011). As of year end, the Township's portion of the draws from the SRF was \$1,335,609, which includes draws of \$1,112,061 during the current year.

### No Commitment Debt

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

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2013

### Note 5 - Long-term Debt (Continued)

#### Revenue Bonds

The Township has pledged certain revenue of the Water and Sewer Fund, net of operating expenses, to repay the revenue bonds disclosed above. Proceeds from the bonds provided financing for the repair of water and sewer lines. The bonds are payable solely from the net revenue of the water and sewer system. The remaining principal and interest to be paid on the bonds total \$14,470,784. 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 \$9,309,653, compared to annual debt requirements of \$1,557,425.

#### Defeased Debt

In prior years, the Township defeased certain Building Authority Revenue Bonds and Fire Building Bonds by placing surplus cash in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the basic financial statements. At March 31, 2013, \$6,450,000 of Building Authority Bonds and \$6,000,000 of Fire Revenue Bonds outstanding are considered defeased.

### Note 6 - Restricted Net Position

The Water and Sewer Fund accounts for the operation and maintenance of the water and sewer treatment activities of the Township, including the funding of reserves as required by the revenue bond ordinances. The bond reserve account balance at March 31, 2013 is funded by certificates of deposits and money market funds in the amount of \$1,565,677.

Unspent bond proceeds held at County:

Due from Oakland County*	\$ 403,665
Due from Macomb County**	4,681,755

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

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

Net position has been reserved for restricted assets.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2013

### Note 7 - Risk Management

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

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

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

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

	Workers' Compensation		Medical Benefits	
	2013	2012	2013	2012
Estimated liability (asset) - Beginning of year	\$ 676,859	\$ 659,544	\$ 738,566	\$ (432,754)
Estimated claims incurred, including changes in estimates	603,260	216,812	7,070,929	7,805,603
Claim payments	<u>(324,659)</u>	<u>(199,497)</u>	<u>(8,562,414)</u>	<u>(6,634,283)</u>
Estimated liability (asset) - End of year	<u>\$ 955,460</u>	<u>\$ 676,859</u>	<u>\$ (752,919)</u>	<u>\$ 738,566</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.



# Charter Township of Clinton

## Notes to Financial Statements March 31, 2013

### Note 8 - Commitments and Contingencies (Continued)

**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, 2013, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Retainages Payable</u>	<u>Remaining Commitment</u>
A.C.O. level sensor	\$ 69,271	\$ -	\$ 33,788
Romeo Plank-Millar pump station generators	87,957	-	3,937
Control panel improvement	34,415	-	29,675
Maplewood WM replacement	815,042	46,844	28,179
Pressure reducing valves	39,534	-	43,247
Sanitary sewer CIPP	-	-	966,260
Heydenreich WM replacement	214,497	23,833	38,125

### Note 9 - Postemployment Benefits

The Township provides retiree healthcare benefits to full-time employees upon retirement in accordance with labor contracts. Membership in the plan included 251 retiree members and 327 active members as of September 1, 2012, the date of the most recent actuarial valuation. During the year ended March 31, 2011, the Township renegotiated certain labor contracts to provide a defined contribution Postemployment Health Plan (PEHP) to eligible employees hired after April 1, 2010.

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

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.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2013

### Note 9 - Postemployment Benefits (Continued)

For the year ended March 31, 2013, 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:

	2013	2012
Annual required contribution	\$ 3,877,665	\$ 3,877,665
Amounts contributed:		
Payments of current premiums	(3,592,946)	(3,318,542)
Advance funding	-	(600,000)
Decrease (increase) in net OPEB asset	284,719	(40,877)
OPEB asset - Beginning of year	(744,381)	(703,504)
OPEB asset - End of year	\$ (459,662)	\$ (744,381)

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, 2013	September 1, 2010	\$ 3,877,665	93 %	\$ 459,662
March 31, 2012	September 1, 2010	3,877,665	101	744,381
March 31, 2011	September 1, 2008	4,398,440	97	703,504

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
September 1, 2012	\$ 23,271,604	\$ 83,194,819	\$ 59,923,215	28.0 %	\$ 20,676,144	289.8 %
September 1, 2010	20,513,485	65,453,220	44,939,735	31.3	23,067,609	194.8
September 1, 2008	14,761,410	68,564,301	53,802,891	21.5	23,987,344	224.3

### Note 9 - Postemployment Benefits (Continued)

**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.

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

#### **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, 2013, the Township made contributions of \$30,749 and the plan members contributed \$12,207 to the plan.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2013

### Note 10 - Pension Plans

#### Fire and Police Pension System Fund

##### System Description and Contribution Information

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

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

Depending upon their collective bargaining unit, plan members are required to contribute between 4.0 percent and 10.0 percent of their annual covered salary. The Township is required to contribute at an actuarially determined rate. The obligation to contribute to and maintain the system for these employees was established by Act No. 345 of the Public Acts of 1937, as amended, and modified by the collective bargaining agreements. Administrative costs of the system are financed through investment earnings.

**Annual Pension Cost** - For the year ended March 31, 2013, the Township's annual pension cost of \$3,397,420 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		
	2013	2012	2011
Annual pension cost (APC)	\$ 3,397,420	\$ 3,833,280	\$ 3,443,068
Percentage of APC contributed	100 %	100 %	100 %

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2013

### Note 10 - Pension Plans (Continued)

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

	Actuarial Valuation as of March 31		
	2010	2011	2012
Actuarial value of assets	\$ 100,263,975	\$ 105,263,350	\$ 106,736,745
Actuarial accrued liability (AAL) (entry age)	\$ 110,415,165	\$ 114,226,069	\$ 120,820,565
Unfunded AAL (UAAL)	\$ 10,151,190	\$ 8,962,719	\$ 14,083,820
Funded ratio	90.8 %	92.2 %	88.3 %
Covered payroll	\$ 16,028,600	\$ 14,199,300	\$ 14,850,984
UAAL as a percentage of covered payroll	63.3 %	63.1 %	94.8 %

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.

**Actuarial Methods and Assumptions** - The annual required contribution was determined as part of an actuarial valuation at March 31, 2011. 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, 2011 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.

As of March 31, 2013, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 11,240,009
Reserve for employer contributions	43,164,208
Reserve for membership annuities	57,047,625

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2013

### 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, 2013, the Township's annual pension cost of \$1,550,403 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, 2010, 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, 2011 valuation did not differ from those used in the December 31, 2010 valuation.

#### **Three-year Trend Information**

	Fiscal Year Ended March 31		
	2011	2012	2013
Annual pension cost (APC)	\$ 1,248,146	\$ 1,385,304	\$ 1,550,403
Percentage of APC contributed	100 %	100 %	100 %

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2013

### Note 10 - Pension Plans (Continued)

	Actuarial Valuation as of December 31		
	2010	2011	2012
Actuarial value of assets	\$ 43,871,158	\$ 44,579,515	\$ 44,809,311
Actuarial accrued liability (AAL) (entry age)	\$ 59,408,736	\$ 62,789,449	\$ 64,580,306
Unfunded AAL (UAAL)	\$ 15,537,578	\$ 18,209,934	\$ 19,770,995
Funded ratio	73.8 %	71.0 %	69.4 %
Covered payroll	\$ 9,997,259	\$ 9,397,043	\$ 8,868,646
UAAL as a percentage of covered payroll	155.4 %	193.8 %	222.9 %

### Note 11 - Deferred Inflows of Resources and Unearned Revenue

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

	Governmental Funds			Government- wide Financial Statements
	Deferred Inflows of Resources	Unearned Revenue	Total	
State-shared revenue	\$ 587,640	\$ -	\$ 587,640	\$ -
Long-term due from other governments	3,720,000	-	3,720,000	-
Other grant revenue	-	24,373	24,373	24,373
Total	\$ 4,307,640	\$ 24,373	\$ 4,332,013	\$ 24,373

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2013

### 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.

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

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



# Charter Township of Clinton

## Notes to Financial Statements March 31, 2013

### Note 13 - Fund Balance Constraints

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

	General Capital Projects Fund
Fund balances - Assigned:	
Next year's budget	\$ 142,982
Cass Avenue loan principal and interest	302,631
Romeo Plank loan principal and interest	282,462
Technology	500,000
Sidewalk program	300,000
Tentative SAD projects	100,000
General capital projects	3,363
Total assigned	<u>\$ 1,631,438</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 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 Charter Township of Clinton, this standard will be adopted for the year ending March 31, 2015.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2013

### Note 14 - Upcoming Accounting Pronouncements (Continued)

In June 2012, the GASB issued 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.

### Note 15 - Change in Accounting

During the current year, the Township adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As a result, "net assets" have now been re-labeled as "net position." 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. The 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. The statement impacts the format and reporting of the balance sheet at the government-wide level and also at the fund level.

During the current year, the Township early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources.

As a result of implementing this statement, the following assets and liabilities have been reclassified, as indicated:

Item	Amount	Prior Reporting Classification/ Treatment	New Classification After Adoption of GASB No. 65
Unearned revenue on District Court debt	\$ 3,720,000	Liability	Deferred inflow of resources
Bond issuance costs	1,275,842	Asset	Outflow of resources (an expense)
Revenue in governmental funds not collected within 60 days of year end	587,640	Liability	Deferred inflow of resources

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2013

### Note 15 - Change in Accounting (Continued)

The impact of adopting GASB Statement No. 65 was to restate and decrease beginning net position by \$1,134,777. In addition, the financial statements now recognize bond issuance costs as a current expense (outflow of resources) when incurred rather than amortizing these costs over the life of the bond. The current year outflow of resources related to bond issuance costs was \$141,065.

The effect of this restatement is as follows:

	Governmental Activities	Business-type Activities	Water and Sewer Fund
Net position - Beginning of year - As previously reported	\$ 71,272,259	\$ 114,600,494	\$ 107,278,967
Adjustment to properly reflect change in accounting related to bond issuance costs	<u>(189,215)</u>	<u>(945,562)</u>	<u>(945,562)</u>
Net position - Beginning of year - As restated	<u>\$ 71,083,044</u>	<u>\$ 113,654,932</u>	<u>\$ 106,333,405</u>

### Note 16 - Accounting and Reporting Change

The financial statements for the year ended March 31, 2012 have been restated in order to separate the Combined Fire Fund into the Fire Fund and the Staffing Adequate Fire and Emergency Response (SAFER) Fund. The Fire Fund is a major special revenue fund and the SAFER Fund is a nonmajor special revenue fund. The change was made to show the impact of the SAFER federal grant on the Township's financial position. The effect of this change was to restate beginning fund balance as follows:

	Fire Fund	SAFER	Total
Fund balance - March 31, 2012 - As previously reported	\$ 14,747,063	\$ -	\$ 14,747,063
Separation of Combined Fire Fund	<u>905,972</u>	<u>(905,972)</u>	<u>-</u>
Fund balance - March 31, 2012 - As restated	<u>\$ 15,653,035</u>	<u>\$ (905,972)</u>	<u>\$ 14,747,063</u>

## **Required Supplemental Information**

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# Charter Township of Clinton

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 2,204,200	\$ 2,214,400	\$ 2,287,976	\$ 73,576
Licenses and permits	800,200	1,227,980	1,385,058	157,078
Federal grants	17,000	40,293	40,289	(4)
State-shared revenue and grants	7,329,832	7,689,832	7,666,295	(23,537)
Interest	30,000	30,000	19,420	(10,580)
Other revenue	2,916,121	3,251,833	3,341,657	89,824
Total revenue	<u>13,297,353</u>	<u>14,454,338</u>	<u>14,740,695</u>	<u>286,357</u>
<b>Expenditures</b>				
Current:				
General government	5,440,763	5,023,386	4,909,622	113,764
Public safety	1,269,882	1,300,825	1,279,315	21,510
Public works	3,622,669	3,663,207	3,604,747	58,460
Community and economic development	590,443	584,343	577,360	6,983
Recreation and culture	2,129,017	2,112,844	2,108,360	4,484
Debt service	150,394	150,394	150,394	-
Total expenditures	<u>13,203,168</u>	<u>12,834,999</u>	<u>12,629,798</u>	<u>205,201</u>
<b>Excess of Revenue Over Expenditures</b>	94,185	1,619,339	2,110,897	491,558
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	245,000	450,000	481,488	31,488
Transfers out	(505,253)	(410,253)	(409,953)	300
Total other financing (uses) sources	<u>(260,253)</u>	<u>39,747</u>	<u>71,535</u>	<u>31,788</u>
<b>Net Change in Fund Balance</b>	(166,068)	1,659,086	2,182,432	523,346
<b>Fund Balance - Beginning of year</b>	<u>14,412,637</u>	<u>14,412,637</u>	<u>14,412,637</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><b>\$ 14,246,569</b></u>	<u><b>\$ 16,071,723</b></u>	<u><b>\$ 16,595,069</b></u>	<u><b>\$ 523,346</b></u>

# Charter Township of Clinton

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Fund Year Ended March 31, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 12,070,400	\$ 12,097,000	\$ 12,257,258	\$ 160,258
Federal grants	-	235,144	267,275	32,131
Interest	15,000	25,000	22,726	(2,274)
Other revenue	5,100	11,000	9,224	(1,776)
Total revenue	12,090,500	12,368,144	12,556,483	188,339
<b>Expenditures</b>				
Current - Public safety	11,303,967	11,629,164	11,629,502	(338)
Debt service:				
Principal	430,000	430,000	430,000	-
Interest on long-term debt	187,013	187,013	186,862	151
Total expenditures	11,920,980	12,246,177	12,246,364	(187)
<b>Excess of Revenue Over Expenditures</b>	169,520	121,967	310,119	188,152
<b>Other Financing Sources - Proceeds</b>				
from sale of capital assets	2,000	3,000	2,425	(575)
<b>Net Change in Fund Balance</b>	171,520	124,967	312,544	187,577
<b>Fund Balance - Beginning of year</b>	15,653,035	15,653,035	15,653,035	-
<b>Fund Balance - End of year</b>	<u>\$ 15,824,555</u>	<u>\$ 15,778,002</u>	<u>\$ 15,965,579</u>	<u>\$ 187,577</u>

# Charter Township of Clinton

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Fund Year Ended March 31, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 15,777,300	\$ 15,814,900	\$ 16,021,533	\$ 206,633
Licenses and permits	59,000	56,000	58,943	2,943
Federal grants	27,200	53,144	58,504	5,360
State-shared revenue and grants	178,200	174,500	222,101	47,601
Interest	10,000	10,000	32,424	22,424
Other revenue	498,151	431,951	498,527	66,576
Total revenue	16,549,851	16,540,495	16,892,032	351,537
<b>Expenditures - Current - Public safety</b>	<u>17,068,467</u>	<u>17,187,146</u>	<u>17,027,508</u>	<u>159,638</u>
<b>Excess of Expenditures Over Revenue</b>	(518,616)	(646,651)	(135,476)	511,175
<b>Other Financing Sources</b>				
Proceeds from sale of capital assets	50,000	35,000	25,289	(9,711)
Transfers in	396,400	325,000	300,000	(25,000)
Total other financing sources	<u>446,400</u>	<u>360,000</u>	<u>325,289</u>	<u>(34,711)</u>
<b>Net Change in Fund Balance</b>	(72,216)	(286,651)	189,813	476,464
<b>Fund Balance - Beginning of year</b>	<u>21,715,517</u>	<u>21,715,517</u>	<u>21,715,517</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u>\$ 21,643,301</u>	<u>\$ 21,428,866</u>	<u>\$ 21,905,330</u>	<u>\$ 476,464</u>

# Charter Township of Clinton

## Required Supplemental Information Pension System Schedule of Funding Progress and Employer Contributions Year Ended March 31, 2013

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
3/31/07	\$ 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
3/31/12	106,736,745	120,820,565	14,083,820	88.3	14,850,984	94.8

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
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	3,833,280	100
3/31/13	3/31/11	3,397,420	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, 2012, 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, 2013

### 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. 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, 2013 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	\$ 14,740,695	\$ 12,649,162	\$ 2,091,533
General government	-	(11,138)	11,138
Public safety	-	(7,582)	7,582
Public works	-	(644)	644
	<u>\$ 14,740,695</u>	<u>\$ 12,629,798</u>	<u>\$ 2,110,897</u>
Amounts per General Fund budget statement	<u>\$ 14,740,695</u>	<u>\$ 12,629,798</u>	<u>\$ 2,110,897</u>

## **Other Supplemental Information**

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# Charter Township of Clinton

## Nonmajor Special Revenue Funds

	Nonmajor Special Revenue Funds						Total Special Revenue Funds	
	Drainage	Community Development Block Grant	Drug Forfeiture	Street Lighting	Neighborhood Stabilization	DEA Task Force		SAFER
<b>Assets</b>								
Cash and investments	\$ 275,123	\$ -	\$ 482,996	\$ 396,069	\$ -	\$ 46,021	\$ -	\$ 1,200,209
Receivables:								
Taxes	-	-	-	-	-	-	-	-
Customers	-	-	-	37,466	-	-	-	37,466
Due from other governmental units	7,980	83,637	-	-	-	-	552,992	644,609
Due from other funds	-	-	1,000	-	-	-	-	1,000
Prepaid expenses and other assets	-	-	-	-	-	-	341	341
<b>Total assets</b>	<b>\$ 283,103</b>	<b>\$ 83,637</b>	<b>\$ 483,996</b>	<b>\$ 433,535</b>	<b>\$ -</b>	<b>\$ 46,021</b>	<b>\$ 553,333</b>	<b>\$ 1,883,625</b>
<b>Liabilities</b>								
Accounts payable	\$ 500	\$ 7,068	\$ 279	\$ 34,770	\$ -	\$ -	\$ -	\$ 42,617
Due to other funds	-	76,569	516	-	-	1,000	553,333	631,418
Accrued liabilities and other	1,500	-	-	-	-	-	-	1,500
<b>Total liabilities</b>	<b>2,000</b>	<b>83,637</b>	<b>795</b>	<b>34,770</b>	<b>-</b>	<b>1,000</b>	<b>553,333</b>	<b>675,535</b>
<b>Fund Balances</b>								
Restricted:								
Drainage	281,103	-	-	-	-	-	-	281,103
Police	-	-	-	-	-	45,021	-	45,021
Debt service	-	-	-	-	-	-	-	-
Drug forfeiture	-	-	483,201	-	-	-	-	483,201
Street lighting	-	-	-	398,765	-	-	-	398,765
Transportation	-	-	-	-	-	-	-	-
Assigned - Capital projects	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>281,103</b>	<b>-</b>	<b>483,201</b>	<b>398,765</b>	<b>-</b>	<b>45,021</b>	<b>-</b>	<b>1,208,090</b>
<b>Total liabilities and fund balances</b>	<b>\$ 283,103</b>	<b>\$ 83,637</b>	<b>\$ 483,996</b>	<b>\$ 433,535</b>	<b>\$ -</b>	<b>\$ 46,021</b>	<b>\$ 553,333</b>	<b>\$ 1,883,625</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
March 31, 2013**

Nonmajor Debt Service Funds			Nonmajor Capital Projects Funds			Total
Building Authority	Police Facility	Total Debt Service Funds	2010 Construction Fund	General Capital Projects Fund	Total Capital Projects Funds	Nonmajor Governmental Funds
\$ 22,776	\$ 1,095,957	\$ 1,118,733	\$ 285,222	\$ 1,732,859	\$ 2,018,081	\$ 4,337,023
-	73,304	73,304	-	979	979	74,283
-	-	-	-	-	-	37,466
-	-	-	-	-	-	644,609
-	-	-	-	-	-	1,000
-	-	-	-	-	-	341
<b>\$ 22,776</b>	<b>\$ 1,169,261</b>	<b>\$ 1,192,037</b>	<b>\$ 285,222</b>	<b>\$ 1,733,838</b>	<b>\$ 2,019,060</b>	<b>\$ 5,094,722</b>
\$ -	\$ 2,157	\$ 2,157	\$ -	\$ 2,400	\$ 2,400	\$ 47,174
5,070	1,048,438	1,053,508	285,222	-	285,222	1,970,148
-	4,717	4,717	-	-	-	6,217
5,070	1,055,312	1,060,382	285,222	2,400	287,622	2,023,539
-	-	-	-	-	-	281,103
-	-	-	-	-	-	45,021
17,706	113,949	131,655	-	-	-	131,655
-	-	-	-	-	-	483,201
-	-	-	-	-	-	398,765
-	-	-	-	100,000	100,000	100,000
-	-	-	-	1,631,438	1,631,438	1,631,438
17,706	113,949	131,655	-	1,731,438	1,731,438	3,071,183
<b>\$ 22,776</b>	<b>\$ 1,169,261</b>	<b>\$ 1,192,037</b>	<b>\$ 285,222</b>	<b>\$ 1,733,838</b>	<b>\$ 2,019,060</b>	<b>\$ 5,094,722</b>

# Charter Township of Clinton

	Nonmajor Special Revenue Funds							Total Special Revenue Funds
	Community Development	Drug Forfeiture	Street Lighting	Neighborhood Stabilization	DEA Task Force	SAFER		
	Drainage	Block Grant						
<b>Revenue</b>								
Property taxes	\$ -	\$ -	\$ -	\$ 503,225	\$ -	\$ -	\$ -	\$ 503,225
Federal sources	-	508,313	-	-	323,039	-	2,511,997	3,343,349
Fines and forfeitures	-	-	-	-	-	204,838	-	204,838
Interest	956	-	136	387	-	-	-	1,479
Other revenue	83,592	-	169,719	-	-	-	-	253,311
<b>Total revenue</b>	<b>84,548</b>	<b>508,313</b>	<b>169,855</b>	<b>503,612</b>	<b>323,039</b>	<b>204,838</b>	<b>2,511,997</b>	<b>4,306,202</b>
<b>Expenditures</b>								
Current:								
General government	-	508,313	-	-	-	-	-	508,313
Public safety	-	-	102,306	-	-	5,573	1,606,025	1,713,904
Public works	157,696	-	-	453,026	-	-	-	610,722
Community and economic development	-	-	-	-	323,039	-	-	323,039
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>157,696</b>	<b>508,313</b>	<b>102,306</b>	<b>453,026</b>	<b>323,039</b>	<b>5,573</b>	<b>1,606,025</b>	<b>3,155,978</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(73,148)</b>	<b>-</b>	<b>67,549</b>	<b>50,586</b>	<b>-</b>	<b>199,265</b>	<b>905,972</b>	<b>1,150,224</b>
<b>Other Financing Sources (Uses)</b>								
Proceeds from sale of capital assets	-	-	8,100	-	-	-	-	8,100
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	(125,000)	-	-	(175,000)	-	(300,000)
<b>Total other financing (uses) sources</b>	<b>-</b>	<b>-</b>	<b>(116,900)</b>	<b>-</b>	<b>-</b>	<b>(175,000)</b>	<b>-</b>	<b>(291,900)</b>
<b>Net Change in Fund Balances</b>	<b>(73,148)</b>	<b>-</b>	<b>(49,351)</b>	<b>50,586</b>	<b>-</b>	<b>24,265</b>	<b>905,972</b>	<b>858,324</b>
<b>Fund Balances (Deficit) - Beginning of year (as restated)</b>	<b>354,251</b>	<b>-</b>	<b>532,552</b>	<b>348,179</b>	<b>-</b>	<b>20,756</b>	<b>(905,972)</b>	<b>349,766</b>
<b>Fund Balances - End of year</b>	<b>\$ 281,103</b>	<b>\$ -</b>	<b>\$ 483,201</b>	<b>\$ 398,765</b>	<b>\$ -</b>	<b>\$ 45,021</b>	<b>\$ -</b>	<b>\$ 1,208,090</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended March 31, 2013**

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	
\$ -	\$ 1,171,991	\$ 1,171,991	\$ -	\$ -	\$ -	\$ 1,675,216
-	-	-	-	26,154	26,154	3,369,503
-	-	-	-	-	-	204,838
81	(84)	(3)	69	2,903	2,972	4,448
-	-	-	-	15,580	15,580	268,891
81	1,171,907	1,171,988	69	44,637	44,706	5,522,896
4,817	-	4,817	168	315,374	315,542	828,672
-	974	974	-	-	-	1,714,878
-	-	-	-	16,489	16,489	627,211
-	-	-	-	-	-	323,039
-	-	-	1,983,169	35,307	2,018,476	2,018,476
249,543	900,000	1,149,543	-	50,439	50,439	1,199,982
85,410	272,750	358,160	-	-	-	358,160
339,770	1,173,724	1,513,494	1,983,337	417,609	2,400,946	7,070,418
(339,689)	(1,817)	(341,506)	(1,983,268)	(372,972)	(2,356,240)	(1,547,522)
-	-	-	-	-	-	8,100
334,953	-	334,953	-	-	-	334,953
-	-	-	-	(26,154)	(26,154)	(326,154)
334,953	-	334,953	-	(26,154)	(26,154)	16,899
(4,736)	(1,817)	(6,553)	(1,983,268)	(399,126)	(2,382,394)	(1,530,623)
22,442	115,766	138,208	1,983,268	2,130,564	4,113,832	4,601,806
<b>\$ 17,706</b>	<b>\$ 113,949</b>	<b>\$ 131,655</b>	<b>\$ -</b>	<b>\$ 1,731,438</b>	<b>\$ 1,731,438</b>	<b>\$ 3,071,183</b>

# Charter Township of Clinton

## Other Supplemental Information Combining Statement of Net Position Fiduciary Funds March 31, 2013

	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					
<b>Assets</b>							
Cash	\$ -	\$ 3,735	\$ 3,735	\$ 2,188,345	\$ 176,804	\$ 558,296	\$ 2,923,445
Investments:							
Bank investment pools	10,405,888	-	10,405,888	-	-	-	-
Money market funds	2,259,731	-	2,259,731	-	-	-	-
U.S. Treasury notes	1,884,267	-	1,884,267	-	-	-	-
Mutual funds	20,303,688	23,808,128	44,111,816	-	-	-	-
Common stock	36,193,723	-	36,193,723	-	-	-	-
U.S. government agency securities	3,060,500	-	3,060,500	-	-	-	-
Corporate bonds	14,580,866	-	14,580,866	-	-	-	-
Hedge funds	9,144,850	-	9,144,850	-	-	-	-
Real estate investment trusts	3,105,895	-	3,105,895	-	-	-	-
Limited partnerships	15,104,575	-	15,104,575	-	-	-	-
Receivables	-	-	-	2,075	50	-	2,125
Total assets	<u>116,043,983</u>	<u>23,811,863</u>	<u>139,855,846</u>	<u>\$ 2,190,420</u>	<u>\$ 176,854</u>	<u>\$ 558,296</u>	<u>\$ 2,925,570</u>
<b>Liabilities</b>							
Benefits payable and other liabilities	3,430,435	-	3,430,435	\$ 2,475	\$ -	\$ -	\$ 2,475
Due to other governmental units	-	-	-	2,150,274	-	-	2,150,274
Due to component units	-	-	-	32,849	-	-	32,849
Refundable deposits, bonds, etc.	-	-	-	4,822	176,854	558,296	739,972
Collateral for securities lending	1,161,706	-	1,161,706	-	-	-	-
Total liabilities	<u>4,592,141</u>	<u>-</u>	<u>4,592,141</u>	<u>\$ 2,190,420</u>	<u>\$ 176,854</u>	<u>\$ 558,296</u>	<u>\$ 2,925,570</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<u>\$ 111,451,842</u>	<u>\$ 23,811,863</u>	<u>\$ 135,263,705</u>				

# Charter Township of Clinton

## Other Supplemental Information Combining Statement of Changes in Net Position Fiduciary Funds Year Ended March 31, 2013

	Fire and Police Pension System Trust	Public Employee Healthcare Fund	Total
<b>Additions</b>			
Investment income (loss):			
Interest and dividends	\$ 2,083,810	\$ 825,754	\$ 2,909,564
Net appreciation in fair value of investments	5,655,524	489,246	6,144,770
Investment-related expenses	(605,519)	-	(605,519)
Net investment income	7,133,815	1,315,000	8,448,815
Securities lending income:			
Interest and fees	16,014	-	16,014
Less borrower rebates and fees	(4,856)	-	(4,856)
Net securities lending income	11,158	-	11,158
Contributions:			
Employer	3,397,420	3,592,946	6,990,366
Employee	1,067,974	-	1,067,974
Total contributions	4,465,394	3,592,946	8,058,340
Total additions	11,610,367	4,907,946	16,518,313
<b>Deductions</b>			
Benefit payments and annuity withdrawals	7,052,504	3,592,946	10,645,450
Administrative expenses	49,428	-	49,428
Total deductions	7,101,932	3,592,946	10,694,878
<b>Net Increase in Net Position Held in Trust</b>	4,508,435	1,315,000	5,823,435
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	106,943,407	22,496,863	129,440,270
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 111,451,842</b>	<b>\$ 23,811,863</b>	<b>\$ 135,263,705</b>