

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

**Financial Report
with Supplemental Information
March 31, 2014**

Charter Township of Clinton

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Clinton

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Clinton (the "Township") as of and for the year ended March 31, 2014 and the related notes to the financial statements, which collectively comprise the Charter Township of Clinton's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Trustees
Charter Township of Clinton

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Clinton as of March 31, 2014 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 2, the financial statements include investments related to the Fire and Police Pension System valued at approximately \$29 million at March 31, 2014 whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by the investment manager. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension system and OPEB schedules of funding progress and employer contributions, and 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 opinions on the financial statements that collectively comprise the Charter Township of Clinton's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

To the Board of Trustees
Charter Township of Clinton

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2014 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.

Alante & Moran, PLLC

September 2, 2014

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, 2014. 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 15-17. These two statements are presented on a full accrual basis, which is designed to present a longer-term view of the Township's finances. Unlike the more traditional fund-based financial statements, all activities reflected in these statements reflect the Township's investment in capital assets net of depreciation as an asset, noncurrent liabilities as liabilities, and the current period depreciation as expense.

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

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Government-wide Financial Statements

In a condensed format, the following table shows the comparison of net position (in thousands) as of March 31, 2014 and 2013:

Summary Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current Assets	\$ 75,013.3	\$ 66,710.5	\$ 23,709.8	\$ 21,221.4	\$ 98,723.1	\$ 87,931.9
Noncurrent Assets						
Restricted assets	-	-	4,440.5	6,651.1	4,440.5	6,651.1
Special assessments	-	-	318.4	547.3	318.4	547.3
Capital assets	39,759.2	41,195.4	147,791.4	144,845.9	187,550.6	186,041.3
Total assets	114,772.5	107,905.9	176,260.1	173,265.7	291,032.6	281,171.6
Liabilities						
Current liabilities	2,600.1	2,790.1	3,924.6	3,566.5	6,524.7	6,356.6
Long-term liabilities	28,503.0	30,713.4	48,420.9	49,481.1	76,923.9	80,194.5
Total liabilities	31,103.1	33,503.5	52,345.5	53,047.6	83,448.6	86,551.1
Net Position						
Net investment in capital assets	14,747.0	19,530.4	103,405.5	101,603.6	118,152.5	121,134.0
Restricted	46,252.3	39,984.4	1,867.4	1,836.2	48,119.7	41,820.6
Unrestricted	22,670.1	14,887.6	18,641.7	16,778.3	41,311.8	31,665.9
Total net position	\$ 83,669.4	\$ 74,402.4	\$ 123,914.6	\$ 120,218.1	\$ 207,584.0	\$ 194,620.5

Total net position related to the Township's governmental activities increased by approximately \$9.2 million. An approximate \$9.1 million increase resulted from revenue exceeding expenditures across most governmental funds mainly due to the additional tax revenue generated from the additional 1 and 1.25 mills for police and fire, respectively, approved by the citizens in November 2013, which generated a combined total of \$5.7 million. This amount would have been billed in December 2013 and collected through February 2014 with the remaining delinquent taxes received in the beginning of the following fiscal year. Revenues exceeding expenditures across all governmental funds, including the General Fund (approximately \$3 million) Police and Fire Funds, are also due to the close monitoring of expenditures, unfilled full-time vacant positions due to retirements to keep staffing at a minimum, and the deferring of capital expenditures. An increase of \$54 thousand 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 increased by approximately \$39 thousand due to a decrease in accumulated sick and vacation liability. The remainder of the difference in net position is attributed to timing differences which are detailed in the reconciliation of the statement of revenue, expenditures, and changes in fund balances of governmental funds to the statement of activities found on page 21.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

For the year ended March 31, 2014, the Township continues to record its liability/asset (in the Township's case for March 31, 2014, it is a liability) 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. This liability included in Note 9 of these financial statements is approximately \$460,000 at March 31, 2014.

The following table shows the changes in net position (in thousands of dollars) during the years ended March 31, 2014 and 2013:

Summary Condensed Income Statement

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue						
Program revenue:						
Charges for services	\$ 3,226.3	\$ 3,731.5	\$ 38,881.5	\$ 38,331.0	\$ 42,107.8	\$ 42,062.5
Operating grants and contributions	2,397.0	4,122.8	321.0	263.8	2,718.0	4,386.6
Capital grants and contributions	1.4	29.2	110.6	202.0	112.0	231.2
General revenue:						
Property taxes	37,594.3	31,813.7	-	-	37,594.3	31,813.7
State-shared revenue	7,599.6	7,393.7	-	-	7,599.6	7,393.7
Interest	48.8	47.8	43.7	42.8	92.5	90.6
Miscellaneous	3,575.7	3,183.4	25.0	50.0	3,600.7	3,233.4
Total revenue	54,443.1	50,322.1	39,381.8	38,889.6	93,824.9	89,211.7
Program Expenses						
General government	2,864.9	3,715.4	-	-	2,864.9	3,715.4
Public safety	33,200.1	33,731.2	-	-	33,200.1	33,731.2
Public works	4,583.8	5,084.5	-	-	4,583.8	5,084.5
Recreation and culture	2,398.7	2,349.9	-	-	2,398.7	2,349.9
Community and economic development	1,051.4	900.4	-	-	1,051.4	900.4
Interest on long-term debt	1,077.2	1,120.1	-	-	1,077.2	1,120.1
Water and sewer	-	-	30,142.2	27,089.4	30,142.2	27,089.4
Senior housing	-	-	1,540.3	1,555.3	1,540.3	1,555.3
Sanitation	-	-	3,757.6	3,716.8	3,757.6	3,716.8
Special assessments	-	-	245.2	66.1	245.2	66.1
Total program expenses	45,176.1	46,901.5	35,685.3	32,427.6	80,861.4	79,329.1
Change in Net Position - Before transfers	9,267.0	3,420.6	3,696.5	6,462.0	12,963.5	9,882.6
Transfers	-	(101.2)	-	101.2	-	-
Change in Net Position	9,267.0	3,319.4	3,696.5	6,563.2	12,963.5	9,882.6
Net Position - Beginning of year	74,402.4	71,083.0	120,218.1	113,654.9	194,620.5	184,737.9
Net Position - End of year	<u>\$ 83,669.4</u>	<u>\$ 74,402.4</u>	<u>\$ 123,914.6</u>	<u>\$ 120,218.1</u>	<u>\$ 207,584.0</u>	<u>\$ 194,620.5</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 69 percent of the total. State-shared revenue provides another 14 percent, user charges provide 6 percent, and grants and contributions provide 4 percent, leaving only 7 percent being provided by all other sources.

Property taxes, the largest source of general government revenue, experienced a net increase of approximately 18 percent. This increase is primarily due to the additional tax revenues generated by the new police and fire millages mentioned above, offset by the net of taxable property values decreasing by 1 percent and adjustments to correct losses due to prior year tax revenues from Michigan tax tribunal appeals. This was the fifth decrease in property values (the last fiscal year ended March 31, 2013 experienced a 6 percent decrease, with a 7 percent, 8 percent, and 3 percent decrease for the fiscal years ended March 31, 2012, 2011, and 2010, respectively) that the Township has experienced in over 25 years, for a total reduction of 25 percent to date. It is expected that the upcoming year will be the pivotal year in which the taxable values in the Township will begin to increase.

State-shared revenue, our second largest source of general government revenue, shows an approximate \$206 thousand 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, 2014 was approximately \$2.65 million, or 26 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 2014-2015 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 and an increase is budgeted in the current 2014-2015 fiscal year. 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 receives 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 \$395 thousand of statutory revenue-sharing dollars.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

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

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

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

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

Fund-based Financial Statements

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

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Financial and Budgetary Highlights

General Fund - Overall, General Fund revenue was approximately \$526 thousand higher than the prior year. The overall property tax revenue, which includes payment in lieu of taxes and prior year adjustments, has decreased by approximately 2 percent, or \$43 thousand, in the General Fund. The 1 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 decrease. The revenue from state revenue sharing, the General Fund's largest revenue source, increased by 2 percent, or \$148 thousand, mainly due to an increase of constitutional state revenue-sharing payments from the State of Michigan. The \$395 thousand of statutory revenue received through the Economic Vitality Incentive Program (EVIP) was slightly higher than the prior year. Fees and permit revenue were down 12 percent, or \$167 thousand, from the prior year, mainly due to decreases in the building, electrical, heating, and plumbing permits, which indicates a decrease 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 11 percent increase, or \$202 thousand, from the prior year. Administrative fees received by the General Fund from other departments are \$89 thousand higher than the prior year after returning to normal levels. In other revenue in the General Fund, proceeds from the sale of tax-forfeited properties provided \$30 thousand less than the prior year. The DPW revenues have increased by approximately \$134 thousand primarily due to increased paving inspections and reimbursements for snow removal. Revenues collected by parks and recreation and the seniors department increased by \$127 thousand from the prior year.

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, 2014.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Police Fund - Overall, Police Fund revenue increased by approximately 13 percent from the prior year. In August 2006, the voters approved a 1.5 mill property tax levy for the operation and maintenance of the police department. In November 2013, the voters approved an additional 1 mill property tax levy for the operation and maintenance of the police department, which generated an additional \$2.5 million for the police fund. These two levies, along with the ongoing five special assessment mills, generated \$18.3 million this year in the Police Fund, an increase of 14 percent above the prior year. This increase is attributable to the additional millage net of taxable property values decreasing by 1 percent and offset by an adjustment for losses due to prior year tax revenues from Michigan tax tribunal appeals. The property tax revenue provided 96 percent of the revenue in the Police Fund. Federal and state grant revenue was 38 percent less than the previous year. Other revenue in the Police Fund remained relatively the same as the prior year. Other financing sources in the Police Fund include a transfer from the Drug Forfeiture Fund in the amount of \$125 thousand. It also contains a transfer to the Police Fund from the Drug Enforcement Administration (DEA) Task Force Fund in the amount of \$55 thousand (\$120 thousand less than the prior year).

Overall, Police Fund expenditures have decreased by 4 percent from the prior year. This decrease is primarily due to unfilled positions in the department resulting from retirements. These position and additional officer positions have been added to the 2014-2015 fiscal year budget as a result of the additional millage that was first billed in December 2013. Conservative revenue projections, unfilled vacant positions, and carefully controlled spending resulted in favorable budget variances at year end.

Fire Fund - Overall, Fire Fund revenue increased approximately 22 percent from the prior year. In January 2003, the voters approved a 1 mill property tax levy for the operations and maintenance of the fire department. In November 2013, the voters approved an additional 1.25 mill property tax levy for the operations and maintenance of the fire department which generated an additional \$3.2 million for the Fire Fund. These two levies, along with the ongoing four special assessment mills, generated \$15.2 million this year in the Fire Fund, an increase of 24 percent above the prior year. This increase is attributable to the additional millage net of taxable property values decreasing by 1 percent and offset by an adjustment for losses due to prior year tax revenues from Michigan tax tribunal appeals. The property tax revenue provided 99 percent of the revenue in the Fire Fund.

The new millage approved by voters in November 2013 also provides funding for the purchase of new vehicles and equipment for the fire department. A separate fund has been established to account for the transfer of funds and the purchase of all vehicles and equipment. However, as a result of implementing GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, the Fire Vehicle and Equipment Replacement Fund does not meet the definition of a special revenue type fund and, accordingly, has been included in the activity of the Fire Fund for the year ended March 31, 2014. Therefore, overall expenditures will include activity from both the Fire Fund and the Fire Vehicle and Equipment Replacement Fund.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Overall, Fire Fund expenditures have decreased by approximately 1 percent from the prior year. The fire department's 2014-2015 fiscal year budget contains funds for additional staffing (including hiring back 7 firefighters laid off in August 2010), resulting from the tax revenue provided by the new millage. The 2014-2015 budget also contains funding for the purchase of vehicles and equipment, also resulting from the additional tax revenues. Conservative revenue projections, unfilled vacant positions, and carefully controlled spending resulted in favorable budget variances at year end.

At the end of the fiscal year March 31, 2011, 12 firefighters were laid off and subsequently hired back in June 2011 through funding provided by the Staffing for Adequate Fire and Emergency Response (SAFER) grant, which paid for the 12 positions in full for a duration of two years. The grant was to be completed in the prior fiscal year. However, there was still funding left at the end of the grant period and a three-month extension was granted by FEMA to exhaust the remainder of the funding, which amounted to approximately \$500 thousand. The activity for this grant is presented in these financial statements as a separate special revenue fund.

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, 2013, the Township's share is 69 percent.

On August 1, 2006, \$13,500,000 of Township General Obligation Limited Tax Capital Improvement Bonds was issued for the construction of a new court building which is located in Clinton Township. The Court Building Debt Service Fund accounts for this debt service. It is intended that the debt service obligation for these bonds will be paid by the court from its revenue. Principal outstanding on this bond issue is \$11,700,000, with the last payment payable on April 1, 2031.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

Water and Sewer Fund - The Water and Sewer Fund's financial performance, which has been sound for decades, faced some financial difficulties during the 2008-2009 fiscal year due to cost overruns related to capital projects, increased rates for water purchases and sewage treatment, a decline in consumption, and not passing on the water and sewer rate increases in the prior year. Due to the financial difficulties stated, the Township instituted an additional 20 percent rate increase to its customers beginning February 1, 2010. In July 2010, water and sewer rates were increased by 3.5 percent and an additional fixed charge was instituted to pay for sewer cost increases and for additional debt issued on the Township's behalf through the County of Macomb for water and sewage disposal systems projects. In August 2011, October 2012, and October 2013, water and sewer rates were increased an additional 9.3 percent, 7.7 percent, and 5.8 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 three fiscal years was approximately \$22 million, \$6.8 million, and \$1.4 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 2010). As of the current year end, the Township's portion of the draws from the SRF was just over \$2.9 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, 2014, water and sewer operating revenue increased by less than 1 percent, which is consistent with the increase to the water and sewer rate increases and offset by a reduction in water usage from the prior fiscal year to the current fiscal year. Water consumption during the year decreased by 11 percent. Operating expenses increased by 11 percent, mainly due to the increase in the cost of water purchases and sewage treatment. General and administrative costs remained relatively the same as the prior year. Contributions of water lines from developers remain significantly lower than prior years.

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

The apartment complex is designed primarily for independent, middle-income seniors. The complex includes 188 one-bedroom and 124 two-bedroom apartments with monthly rents (including maintenance fees) set between \$490 and \$570 for current residents, respectively, and between \$520 and \$600 for incoming residents, respectively, during the fiscal year ended March 31, 2014.

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

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. For the fiscal year ended March 31, 2014, a subsidy was not necessary as revenues were sufficient to cover expenditures.

Sanitation Fund - The Sanitation Fund accounts for the collection and disposal of trash, recyclables, and compost materials. Except for the billing of customers and the brush chipping function, virtually all sanitation activity is completed by outside contractors. During the 2013-2014 fiscal year, commercial trash hauling has been eliminated.

Currently, single-family sanitation customers pay \$13 per month. The fiscal year ended March 31, 2010 saw the first increase in rates since February 2001.

The Sanitation Fund's net position has increased by \$385 thousand. 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 \$1,727.

Capital Asset and Debt Administration

The Township's investment in capital assets devoted to its governmental activities had a \$70.8 million historical cost invested in a wide range of capital assets, including land, buildings and improvements, furniture, equipment, and vehicles. Capital assets net of accumulated depreciation amount to \$39.8 million.

The Township's investment in capital assets devoted to its business-type activities had \$237.6 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 \$7.8 million, resulting primarily from water main and sanitary sewer replacements and improvements.

As of March 31, 2014, the Township had approximately \$187.5 million in capital assets, net of accumulated depreciation (see Note 3 to the basic financial statements for additional information).

Charter Township of Clinton

Management's Discussion and Analysis (Continued)

The Township's latest government bond rating occurred in September 2010 when Standard & Poor's Rating Services (S&P) assigned its municipal bond rating 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 2010). As of the current fiscal year ended March 31, 2014, the Township's portion of the draws from the SRF loan was approximately \$2.9 million (see Note 5 of the notes to the basic financial statements for additional information).

Economic Factors and Future Budgets

Due to the Township's cost-cutting efforts, the Township is better positioned than most communities. Regularly updating the Township's financial forecast has allowed the Township to take corrective action early on. The Township has low debt levels, high bond ratings, and provides excellent services to the community.

In November 2013, the voters of the Township approved additional millages for the police and fire departments, which has helped put the Township in a better position to balance its budgets in the near future and also to increase staffing in the departments to provide the excellent services that the residents have become accustomed to. The Township relies on this additional millage to help balance the budget.

The Township board and Township administration will further develop the Township's financial strategy and continue fiscal responsibility while maintaining as many core services as possible. In the meantime, the Township will keep residents informed and ensure they continue to receive maximum value for their tax dollars.

Charter Township of Clinton

Statement of Net Position March 31, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 61,380,371	\$ 18,039,646	\$ 79,420,017	\$ 277,778
Receivables:				
Property taxes receivable	2,513,375	-	2,513,375	-
Receivables from sales to customers on account	41,671	5,654,923	5,696,594	-
Other receivables	912,233	-	912,233	-
Due from other governmental units	5,524,228	535,814	6,060,042	-
Special assessments - Current	-	16,025	16,025	-
Due from component units	18,381	-	18,381	-
Internal balances (Note 4)	1,512,250	(1,512,250)	-	-
Inventory	-	422,963	422,963	-
Prepaid expenses and other assets	1,345,267	23,035	1,368,302	-
Restricted assets (Note 6)	-	4,440,534	4,440,534	-
Investment in joint ventures (Note 13)	1,742,999	545,579	2,288,578	-
Capital assets:				
Not depreciated (Note 3)	3,691,633	19,359,674	23,051,307	-
Depreciated - Net (Note 3)	36,090,125	128,431,765	164,521,890	819,672
Special assessment - Net of current portion	-	302,419	302,419	-
Total assets	114,772,533	176,260,127	291,032,660	1,097,450
Liabilities				
Accounts payable	945,831	3,688,107	4,633,938	8,953
Due to primary government	-	-	-	18,381
Accrued liabilities and other	1,156,919	236,427	1,393,346	-
Unearned revenue (Note 12)	36,883	-	36,883	-
Net OPEB liability (Note 9)	460,507	-	460,507	-
Noncurrent liabilities (Note 5):				
Due within one year	3,276,104	3,392,856	6,668,960	-
Due in more than one year	25,226,843	45,028,089	70,254,932	-
Total liabilities	31,103,087	52,345,479	83,448,566	27,334
Net Position				
Net investment in capital assets	14,746,991	103,195,482	117,942,473	819,672
Restricted for:				
Fire department services	19,199,164	-	19,199,164	-
Police department services	24,801,277	-	24,801,277	-
Street light services	459,774	-	459,774	-
Drug forfeiture activities	545,817	-	545,817	-
Debt service	119,343	298,662	418,005	-
Bond covenants (Note 6)	-	1,568,812	1,568,812	-
Drainage services	233,568	-	233,568	-
DEA task force	194,818	-	194,818	-
Transportation	100,000	-	100,000	-
Accumulated long-term health benefits	598,628	-	598,628	-
Unrestricted	22,670,066	18,851,692	41,521,758	250,444
Total net position	\$ 83,669,446	\$ 123,914,648	\$ 207,584,094	\$ 1,070,116

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	\$ 2,864,871	\$ 107,345	\$ 1,658,394	\$ 185
Public safety	33,200,095	1,789,855	738,603	1,220
Public works	4,583,815	725,377	-	-
Community and economic development	1,051,347	-	-	-
Recreation and culture	2,398,666	603,726	-	-
Interest on long-term debt	1,077,213	-	-	-
Total governmental activities	45,176,007	3,226,303	2,396,997	1,405
Business-type activities:				
Water and Sewer Fund	30,142,241	32,785,595	320,997	110,550
Senior Housing Fund	1,540,271	2,019,667	-	-
Sanitation Fund	3,757,577	4,140,947	-	-
Special Assessment Fund	245,164	249,100	-	-
Total business-type activities	35,685,253	39,195,309	320,997	110,550
Total primary government	<u>\$ 80,861,260</u>	<u>\$ 42,421,612</u>	<u>\$ 2,717,994</u>	<u>\$ 111,955</u>
Component units:				
Economic Development Corporation	\$ 6,356	\$ -	\$ -	\$ -
Downtown Development Authority	163,383	-	-	-
Total component units	<u>\$ 169,739</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				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities Year Ended March 31, 2014

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,098,947)	\$ -	\$ (1,098,947)	\$ -
(30,670,417)	-	(30,670,417)	-
(3,858,438)	-	(3,858,438)	-
(1,051,347)	-	(1,051,347)	-
(1,794,940)	-	(1,794,940)	-
(1,077,213)	-	(1,077,213)	-
(39,551,302)	-	(39,551,302)	-
-	3,074,901	3,074,901	-
-	479,396	479,396	-
-	383,370	383,370	-
-	3,936	3,936	-
-	3,941,603	3,941,603	-
(39,551,302)	3,941,603	(35,609,699)	-
-	-	-	(6,356)
-	-	-	(163,383)
-	-	-	(169,739)
37,594,336	-	37,594,336	31,551
7,599,556	-	7,599,556	-
48,764	43,728	92,492	1,281
3,030,266	(313,775)	2,716,491	-
491,122	25,000	516,122	-
54,291	-	54,291	-
48,818,335	(245,047)	48,573,288	32,832
9,267,033	3,696,556	12,963,589	(136,907)
74,402,413	120,218,092	194,620,505	1,207,023
\$ 83,669,446	\$ 123,914,648	\$ 207,584,094	\$ 1,070,116

Charter Township of Clinton

Governmental Funds Balance Sheet March 31, 2014

Assets	General Fund	Fire Fund	Police Fund	Court Building	Nonmajor	Total
				Debt Service		
				Fund		
Cash and investments (Note 2)	\$ 14,469,674	\$ 18,592,569	\$ 23,892,360	\$ -	\$ 4,425,768	\$ 61,380,371
Receivables:						
Taxes	443,333	907,414	1,092,705	-	69,923	2,513,375
Customers	-	-	-	-	41,671	41,671
Other	616,804	5,930	277,235	-	12,264	912,233
Due from other governmental units	1,790,819	-	-	3,627,000	106,409	5,524,228
Due from component units	18,381	-	-	-	-	18,381
Due from other funds (Note 4)	2,935,549	-	-	-	1,102	2,936,651
Prepaid expenses and other assets	1,339,659	2,248	3,360	-	-	1,345,267
Total assets	\$ 21,614,219	\$ 19,508,161	\$ 25,265,660	\$ 3,627,000	\$ 4,657,137	\$ 74,672,177
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable	\$ 385,534	\$ 157,823	\$ 231,395	\$ -	\$ 171,079	\$ 945,831
Due to other funds (Note 4)	102	-	-	-	1,424,299	1,424,401
Accrued liabilities and other	95,765	151,174	207,555	-	2,542	457,036
Unearned revenue	11,450	-	25,433	-	-	36,883
Total liabilities	492,851	308,997	464,383	-	1,597,920	2,864,151
Deferred Inflows of Resources						
State-shared revenue (Note 12)	634,710	-	-	-	-	634,710
Long-term debt paid by other governments (Note 12)	-	-	-	3,627,000	-	3,627,000
Total deferred inflows of resources	634,710	-	-	3,627,000	-	4,261,710
Total liabilities and deferred inflows of resources	1,127,561	308,997	464,383	3,627,000	1,597,920	7,125,861
Fund Balances						
Nonspendable - Prepaids	1,339,659	2,248	3,360	-	-	1,345,267
Restricted:						
Drainage	-	-	-	-	233,568	233,568
Police (\$13,530,899 for 2015 operations)	-	-	24,797,917	-	194,818	24,992,735
Fire (\$10,755,620 for 2015 operations and \$1,165,678 for equipment replacement)	-	19,196,916	-	-	-	19,196,916
Debt service	-	-	-	-	119,343	119,343
Drug forfeiture	-	-	-	-	545,817	545,817
Street lighting	-	-	-	-	459,774	459,774
Accumulated long-term health benefits	598,628	-	-	-	-	598,628
Transportation	-	-	-	-	100,000	100,000
Assigned:						
Workers' compensation claims	250,000	-	-	-	-	250,000
Accumulated long-term benefits	332,104	-	-	-	-	332,104
Capital projects	-	-	-	-	1,405,897	1,405,897
Unassigned	17,966,267	-	-	-	-	17,966,267
Total fund balances	20,486,658	19,199,164	24,801,277	-	3,059,217	67,546,316
Total liabilities, deferred inflows of resources, and fund balances	\$ 21,614,219	\$ 19,508,161	\$ 25,265,660	\$ 3,627,000	\$ 4,657,137	\$ 74,672,177

Charter Township of Clinton

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position March 31, 2014

Fund Balance Reported in Governmental Funds	\$ 67,546,316
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	39,781,758
Investments in joint ventures are not financial resources and are not reported in the funds	1,742,999
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures	4,261,710
Notes and bonds payable are not due and payable in the current period and are not reported in the funds	(25,034,767)
Accrued interest is not due and payable in the current period and is not reported in the governmental funds	(56,410)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(3,468,180)
Accrued workers' compensation liability is not reported in the governmental funds	(643,473)
Net other postemployment benefit liability is not reported in the governmental funds	(460,507)
Net Position of Governmental Activities	<u>\$ 83,669,446</u>

Charter Township of Clinton

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2014

	General Fund	Fire Fund	Police Fund	Court Building Debt Service	Nonmajor Funds	Total
Revenue						
Property taxes	\$ 2,245,219	\$ 15,235,538	\$ 18,302,178	\$ -	\$ 1,746,698	\$ 37,529,633
Licenses and permits	1,218,659	-	50,734	-	-	1,269,393
Federal sources	61,569	49,374	22,607	-	1,010,546	1,144,096
State-shared revenue and grants	7,828,548	-	150,176	-	-	7,978,724
Fines and forfeitures	-	-	-	-	560,149	560,149
Interest	22,964	21,989	29,187	-	3,889	78,029
Other revenue:						
Local donations	225,022	-	-	826,800	-	1,051,822
Other miscellaneous income	3,584,449	23,346	528,898	-	102,096	4,238,789
Total revenue	<u>15,186,430</u>	<u>15,330,247</u>	<u>19,083,780</u>	<u>826,800</u>	<u>3,423,378</u>	<u>53,850,635</u>
Expenditures						
Current:						
General government	4,579,603	-	-	-	163,368	4,742,971
Public safety	1,348,630	11,463,622	16,389,875	-	702,170	29,904,297
Public works	3,552,468	-	-	-	593,137	4,145,605
Community and economic development	579,724	-	-	-	494,173	1,073,897
Recreation and culture	2,176,453	-	-	-	-	2,176,453
Debt service:						
Principal	78,750	460,000	-	300,000	1,332,076	2,170,826
Interest on long-term debt	70,069	173,813	-	526,800	306,806	1,077,488
Total expenditures	<u>12,385,697</u>	<u>12,097,435</u>	<u>16,389,875</u>	<u>826,800</u>	<u>3,591,730</u>	<u>45,291,537</u>
Excess of Revenue Over (Under) Expenditures	2,800,733	3,232,812	2,693,905	-	(168,352)	8,559,098
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	465,702	773	22,042	-	16,500	505,017
Transfers in (Note 4)	-	-	180,000	-	319,886	499,886
Transfers out (Note 4)	(319,886)	-	-	-	(180,000)	(499,886)
Total other financing sources	<u>145,816</u>	<u>773</u>	<u>202,042</u>	<u>-</u>	<u>156,386</u>	<u>505,017</u>
Net Change in Fund Balances	2,946,549	3,233,585	2,895,947	-	(11,966)	9,064,115
Fund Balances - Beginning of year	<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>
Fund Balances - End of year	<u><u>\$ 20,486,658</u></u>	<u><u>\$ 19,199,164</u></u>	<u><u>\$ 24,801,277</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,059,217</u></u>	<u><u>\$ 67,546,316</u></u>

Charter Township of Clinton

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 9,064,115
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	623,307
Depreciation expense	(2,023,008)
Net book value of assets disposed of	(13,895)
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	(45,930)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,170,826
Interest expense is recorded in the statement of activities when incurred; it is not reported in the governmental funds until paid	5,900
The net other postemployment benefit liability is increased by the difference between the actuarial required contributions for postemployment benefits compared to the actual contributions remitted	(920,169)
Decrease in accumulated workers' compensation accrual increases net position in the statement of activities	311,987
Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	39,609
Income from joint ventures is not recorded in the funds	54,291
Change in Net Position of Governmental Activities	<u>\$ 9,267,033</u>

Charter Township of Clinton

Proprietary Funds Statement of Net Position March 31, 2014

	Major Funds			Nonmajor Proprietary Fund	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	
Assets					
Current assets:					
Cash and investments (Note 2)	\$ 15,877,452	\$ 275,219	\$ 1,329,946	\$ 557,029	\$ 18,039,646
Receivables:					
Special assessments receivable -					
Current	-	-	-	16,025	16,025
Customers	4,857,060	-	797,863	-	5,654,923
Due from other governmental units	535,814	-	-	-	535,814
Due from other funds (Note 4)	-	-	365,473	-	365,473
Inventory	422,963	-	-	-	422,963
Prepaid expenses and other assets	3,462	19,573	-	-	23,035
Total current assets	21,696,751	294,792	2,493,282	573,054	25,057,879
Noncurrent assets:					
Restricted assets (Note 6)	4,440,534	-	-	-	4,440,534
Special assessment receivables - Net of current portion	-	-	-	302,419	302,419
Investment in joint ventures (Note 13)	-	-	545,579	-	545,579
Capital assets - Net (Note 3)	137,203,755	10,433,613	154,071	-	147,791,439
Total noncurrent assets	141,644,289	10,433,613	699,650	302,419	153,079,971
Total assets	163,341,040	10,728,405	3,192,932	875,473	178,137,850
Liabilities					
Current liabilities:					
Accounts payable	3,282,094	44,387	361,626	-	3,688,107
Due to other funds (Note 4)	1,610,912	-	-	266,811	1,877,723
Accrued liabilities and other	137,954	98,473	-	-	236,427
Compensated absences - Less than one year (Note 5)	69,684	-	-	-	69,684
Current portion of long-term debt (Note 5)	2,152,518	960,654	-	210,000	3,323,172
Total current liabilities	7,253,162	1,103,514	361,626	476,811	9,195,113
Noncurrent liabilities:					
Compensated absences - Greater than one year (Note 5)	162,596	-	-	-	162,596
Refundable bonds and deposits	306,935	104,051	-	-	410,986
Long-term debt (Note 5)	40,907,570	3,446,937	-	100,000	44,454,507
Total noncurrent liabilities	41,377,101	3,550,988	-	100,000	45,028,089
Total liabilities	48,630,263	4,654,502	361,626	576,811	54,223,202
Net Position					
Net investment in capital assets	97,015,389	6,026,022	154,071	-	103,195,482
Restricted:					
Debt service	-	-	-	298,662	298,662
Bond covenants (Note 6)	1,568,812	-	-	-	1,568,812
Unrestricted	16,126,576	47,881	2,677,235	-	18,851,692
Total net position	\$ 114,710,777	\$ 6,073,903	\$ 2,831,306	\$ 298,662	123,914,648
Net Position of Business-type Activities					\$ 123,914,648

Charter Township of Clinton

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended March 31, 2014

	Major Funds			Nonmajor Proprietary Fund	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	
Operating Revenue					
Charges for sales and services	\$ 31,770,321	\$ -	\$ 4,137,757	\$ -	\$ 35,908,078
Rent	-	1,999,623	-	-	1,999,623
Other	395,034	20,044	3,190	249,100	667,368
Total operating revenue	32,165,355	2,019,667	4,140,947	249,100	38,575,069
Operating Expenses					
Cost of water and sewage disposal	16,559,736	-	-	-	16,559,736
Operation and maintenance	1,987,612	850,052	3,731,289	226,448	6,795,401
General and administrative	1,927,026	-	-	-	1,927,026
Salaries and fringe benefits	3,982,925	-	-	-	3,982,925
Depreciation	4,403,419	428,011	24,561	-	4,855,991
Total operating expenses	28,860,718	1,278,063	3,755,850	226,448	34,121,079
Operating Income	3,304,637	741,604	385,097	22,652	4,453,990
Nonoperating Revenue (Expenses)					
Investment income	17,223	77	2,219	24,209	43,728
Interest expense	(1,281,523)	(262,208)	-	(18,716)	(1,562,447)
Other nonoperating expenses	-	-	(1,727)	-	(1,727)
Gain on sale of assets	25,000	-	-	-	25,000
Other nonoperating revenue	150,552	-	-	-	150,552
Debt, capital charges, and tap fees	469,688	-	-	-	469,688
Federal interest subsidy	320,997	-	-	-	320,997
Bond issuance costs	(313,775)	-	-	-	(313,775)
Total nonoperating (expenses) revenue	(611,838)	(262,131)	492	5,493	(867,984)
Income - Before contributions	2,692,799	479,473	385,589	28,145	3,586,006
Capital Contributions - Lines donated by developers	110,550	-	-	-	110,550
Change in Net Position	2,803,349	479,473	385,589	28,145	3,696,556
Net Position - Beginning of year	111,907,428	5,594,430	2,445,717	270,517	120,218,092
Net Position - End of year	<u>\$ 114,710,777</u>	<u>\$ 6,073,903</u>	<u>\$ 2,831,306</u>	<u>\$ 298,662</u>	<u>\$ 123,914,648</u>

Charter Township of Clinton

Proprietary Funds Statement of Cash Flows Year Ended March 31, 2014

	Major Funds			Nonmajor Proprietary Fund	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	
Cash Flows from Operating Activities					
Receipts from customers	\$ 33,950,837	\$ 2,019,832	\$ 4,117,575	\$ 318,424	\$ 40,406,668
Payments to suppliers	(20,435,088)	(824,197)	(3,348,709)	(226,448)	(24,834,442)
Payments to employees	(4,085,887)	-	(306,305)	-	(4,392,192)
Internal activity - Payments to other funds	-	-	-	221,410	221,410
Net cash provided by operating activities	9,429,862	1,195,635	462,561	313,386	11,401,444
Cash Flows from Noncapital Financing Activities - Operating grants and subsidies	150,552	-	-	-	150,552
Cash Flows from Capital and Related Financing Activities					
Proceeds from sales of capital assets	25,000	-	-	-	25,000
Purchase of capital assets	(5,315,759)	-	-	-	(5,315,759)
Principal, issuance costs, and interest paid on capital debt	(1,259,312)	(1,195,296)	-	(228,716)	(2,683,324)
Collection of debt, capital charges, and tap fees	469,688	-	-	-	469,688
Net cash used in capital and related financing activities	(6,080,383)	(1,195,296)	-	(228,716)	(7,504,395)
Cash Flows from Investing Activities - Interest received on investments	17,223	77	2,219	24,209	43,728
Net Increase in Cash and Cash Equivalents	3,517,254	416	464,780	108,879	4,091,329
Cash and Cash Equivalents - Beginning of year	13,929,010	274,803	865,166	448,150	15,517,129
Cash and Cash Equivalents - End of year	<u>\$ 17,446,264</u>	<u>\$ 275,219</u>	<u>\$ 1,329,946</u>	<u>\$ 557,029</u>	<u>\$ 19,608,458</u>

Charter Township of Clinton

Proprietary Funds Statement of Cash Flows (Continued) Year Ended March 31, 2014

	Major Funds			Nonmajor Proprietary Fund	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	
Balance Sheet Classification of Cash and Cash Equivalents					
Cash and investments per balance sheet	\$ 15,877,452	\$ 275,219	\$ 1,329,946	\$ 557,029	\$ 18,039,646
Restricted cash and cash investments	1,568,812	-	-	-	1,568,812
Total cash and cash equivalents	<u>\$ 17,446,264</u>	<u>\$ 275,219</u>	<u>\$ 1,329,946</u>	<u>\$ 557,029</u>	<u>\$ 19,608,458</u>
Reconciliation of Operating Income to Net Cash from Operating Activities					
Operating income	\$ 3,304,637	\$ 741,604	\$ 385,097	\$ 22,652	\$ 4,453,990
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation	4,403,419	428,011	24,561	-	4,855,991
Changes in assets and liabilities:					
Receivables	(98,295)	165	(23,372)	64,286	(57,216)
Due from others	(54,411)	-	-	5,038	(49,373)
Inventories	(181,268)	-	-	-	(181,268)
Prepaid and other assets	(419)	(9,267)	-	-	(9,686)
Accounts payable	123,813	35,122	76,275	-	235,210
Due to others	1,938,188	-	-	221,410	2,159,598
Accrued and other liabilities	(5,802)	-	-	-	(5,802)
Net cash provided by operating activities	<u>\$ 9,429,862</u>	<u>\$ 1,195,635</u>	<u>\$ 462,561</u>	<u>\$ 313,386</u>	<u>\$ 11,401,444</u>
Significant Noncash Investing and Financing Transactions					
Contribution of capital assets from developers and other funds	\$ 110,550	\$ -	\$ -	\$ -	\$ 110,550
Capital asset additions related to County interceptor projects	2,658,856	-	-	-	2,658,856

Charter Township of Clinton

Fiduciary Funds Statement of Net Position March 31, 2014

	Pension and Other Employee Benefit Trust Funds	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 209,102	\$ 884,473
Investments:		
Bank investment pools	2,481,336	-
Money market funds	2,503,582	-
U.S. Treasury notes	2,634,651	-
Mutual funds	52,902,836	-
Common stock	39,421,411	-
U.S. government agency securities	2,917,726	-
Corporate bonds	12,713,633	-
Hedge funds	9,517,068	-
Real estate investment trusts	3,976,965	-
Limited partnerships	16,823,403	-
Cash and investments held as collateral for securities lending	788,620	-
Receivables	<u>300</u>	<u>16,176</u>
Total assets	146,890,633	<u><u>\$ 900,649</u></u>
Liabilities		
Benefits payable and other liabilities	4,002,657	\$ 115,925
Refundable deposits, bonds, etc.	-	784,724
Amounts due broker under securities lending arrangements	<u>788,620</u>	<u>-</u>
Total liabilities	<u>4,791,277</u>	<u><u>\$ 900,649</u></u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u><u>\$ 142,099,356</u></u>	

Charter Township of Clinton

Fiduciary Funds Statement of Changes in Net Position Year Ended March 31, 2014

	Pension and Other Employee Benefit Trust Funds
Additions	
Investment income (loss):	
Interest and dividends	\$ 3,338,771
Net increase in fair value of investments	8,052,421
Investment-related expenses	<u>(692,644)</u>
Net investment income	10,698,548
Securities lending income:	
Interest and fees	3,721
Less borrower rebates and fees	<u>(991)</u>
Net securities lending income	2,730
Contributions:	
Employer	7,769,036
Employee	<u>1,035,535</u>
Total contributions	<u>8,804,571</u>
Total additions	19,505,849
Deductions	
Benefit payments and annuity withdrawals	12,585,597
Administrative expenses	<u>84,601</u>
Total deductions	<u>12,670,198</u>
Net Increase in Net Position Held in Trust	6,835,651
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>135,263,705</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 142,099,356</u></u>

Charter Township of Clinton

Component Units Statement of Net Position March 31, 2014

	Economic Development Corporation	Downtown Development Authority	Total
Assets			
Cash and investments (Note 2)	\$ 100,401	\$ 177,377	\$ 277,778
Capital assets being depreciated - Net (Note 3)	-	819,672	819,672
Total assets	100,401	997,049	1,097,450
Liabilities			
Accounts payable	-	8,953	8,953
Due to primary government	18,166	215	18,381
Total liabilities	18,166	9,168	27,334
Net Position			
Net investment in capital assets	-	819,672	819,672
Unrestricted	82,235	168,209	250,444
Total net position	<u>\$ 82,235</u>	<u>\$ 987,881</u>	<u>\$ 1,070,116</u>

Charter Township of Clinton

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Economic Development Corporation - Public works	\$ 6,356	\$ -	\$ -	\$ -
Downtown Development Authority - Public works	163,383	-	-	-
Total component units	<u>\$ 169,739</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
Investment income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Component Units
Statement of Activities
Year Ended March 31, 2014**

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Economic Development Corporation</u>	<u>Downtown Development Authority</u>	<u>Total</u>
\$ (6,356)	\$ -	\$ (6,356)
<u>-</u>	<u>(163,383)</u>	<u>(163,383)</u>
(6,356)	(163,383)	(169,739)
-	31,551	31,551
<u>1,279</u>	<u>2</u>	<u>1,281</u>
<u>1,279</u>	<u>31,553</u>	<u>32,832</u>
(5,077)	(131,830)	(136,907)
<u>87,312</u>	<u>1,119,711</u>	<u>1,207,023</u>
<u>\$ 82,235</u>	<u>\$ 987,881</u>	<u>\$ 1,070,116</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

Note I - Nature of Business and Significant Accounting Policies

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

Reporting Entity

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

The accompanying basic financial statements have been prepared in accordance with criteria established by Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended, for determining the various governmental organizations to be included in the reporting entity. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the Township's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township, although the Township has the ability to impose its will over the entities.

Blended Component Unit

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

Discretely Presented Component Units

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

Note I - 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.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: property taxes, state-shared revenue, and interest associated with the current fiscal period.

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

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Fire Special Revenue Fund accounts for the resources from property tax revenue that are restricted for all of the activities of the Township's fire department.
- The Police Special Revenue Fund accounts for the resources from property tax revenue that are restricted for all of the activities of the Township's police department.
- The 41-B Court Building Debt Service Fund accounts for all of the activities associated with monitoring and paying debt incurred in the construction of the new 41-B District Court Building.

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

The Township reports the following major proprietary funds:

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

Additionally, the Township reports the following fund types:

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

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

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

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

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 2013 taxable valuation (real and personal property) of the Township totaled \$2,538,768,879, on which ad valorem taxes levied consisted of .8245 mills for the Township's operating purposes, 2.2283 mills for fire operating purposes, 2.5000 mills for police operating purposes, and .4800 mills for the retirement of police building debt. The ad valorem taxes generated \$2,093,215 for general operations, \$5,657,139 for fire operations, \$6,346,922 for police operations, and \$1,218,609 for police building debt retirement. The 2013 real property taxable valuation of the Township totaled \$2,356,283,379, on which special assessments levied consisted of 5 mills for police operations and 4 mills for fire operations. The special assessment levies generated \$11,781,417 for police operations and \$9,425,134 for fire operations. The industrial facilities tax roll generated \$11,058 for general operations, \$47,554 for police operations, \$41,105 for fire operations, and \$6,438 for police building debt retirement. These amounts are recorded in their respective funds as tax revenue.

Assets, Liabilities, and Net Position or Equity

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

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

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

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

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, 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 net 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, 2014

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, \$452,438 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

Notes to Financial Statements March 31, 2014

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

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, 2014

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, 2013		\$ (4,771,000)
Fiscal year 2014 building department activity:		
Permit revenue	\$ 1,219,000	
Expenditures	<u>(1,289,000)</u>	
Excess of revenue over expenditures		<u>(70,000)</u>
Cumulative expenditures over revenue - March 31, 2014		<u>\$ (4,841,000)</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, 2014

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, 2014, 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, 2014 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, 2014, 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, 2014 were \$788,541 and \$781,506, 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 \$83 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, 2014

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 Pension System had no bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Pension System evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

Investment Type	Fair Value of Township Investments and Pension Trust Funds	Less Than 1			Greater Than 10 Years
		Year	1 to 5 Years	6 to 10 Years	
Bank investment pool	\$ 2,481,336	\$ 2,481,336	\$ -	\$ -	\$ -
U.S. government or agency securities	2,917,726	474,991	142,811	4,224	2,295,701
Corporate bonds	12,752,232	286,684	5,225,531	3,218,926	4,021,091
U.S. Treasury obligation	2,634,651	20,022	278,922	733,363	1,602,344

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

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 2,481,336	NR	Not rated
U.S. government agency	2,917,726	NR	Not rated
U.S. Treasury	2,634,651	NR	Not rated
Corporate bonds	12,752,232	NR - AAA	Standard & Poor's

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

Note 2 - Deposits and Investments (Continued)

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

Security	Fair Value	Foreign Currency
Foreign fixed income mutual fund	\$ 1,064,287	Australian dollar
Foreign fixed income mutual fund	518,808	Brazilian real
Foreign fixed income mutual fund	755,003	Euro
Foreign fixed income mutual fund	633,221	British pound
Foreign fixed income mutual fund	213,300	Malaysian ringgit
Foreign fixed income mutual fund	1,575,684	Mexican peso
Foreign fixed income mutual fund	413,565	New Zealand dollar
Foreign fixed income mutual fund	478,592	Polish zloty
Foreign fixed income mutual fund	383,507	South African rand
Foreign fixed income mutual fund	463,257	South Korean won

Note 3 - Capital Assets

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

	Balance April 1, 2013	Additions	Disposals	Balance March 31, 2014
Governmental Activities				
Capital assets not being depreciated - Land	\$ 3,691,633	\$ -	\$ -	\$ 3,691,633
Capital assets being depreciated:				
Buildings and building improvements	43,618,279	43,614	-	43,661,893
Operating equipment	6,292,547	176,849	(137,375)	6,332,021
Vehicles	6,290,366	167,122	(284,920)	6,172,568
Office furniture and equipment	5,559,555	230,037	(460,977)	5,328,615
Land improvements	2,983,018	5,685	-	2,988,703
Infrastructure assets	2,722,851	-	-	2,722,851
Subtotal	67,466,616	623,307	(883,272)	67,206,651
Accumulated depreciation:				
Buildings and building improvements	13,030,134	1,147,336	-	14,177,470
Operating equipment	4,357,288	356,347	(123,480)	4,590,155
Vehicles	5,360,405	265,148	(284,920)	5,340,633
Office furniture and equipment	5,128,321	96,883	(460,977)	4,764,227
Land improvements	1,788,187	102,837	-	1,891,024
Infrastructure assets	298,560	54,457	-	353,017
Subtotal	29,962,895	2,023,008	(869,377)	31,116,526
Net capital assets being depreciated	37,503,721	(1,399,701)	(13,895)	36,090,125
Net capital assets	\$ 41,195,354	\$ (1,399,701)	\$ (13,895)	\$ 39,781,758

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

Note 3 - Capital Assets (Continued)

	Balance April 1, 2013	Reclassifications	Additions	Disposals and Adjustments	Balance March 31, 2014
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
Construction in progress	12,837,114	(1,902,302)	7,424,862	-	18,359,674
Subtotal	13,837,114	(1,902,302)	7,424,862	-	19,359,674
Capital assets being depreciated:					
Structures, mains, and laterals	189,494,937	1,722,471	136,815	-	191,354,223
Meters	4,716,213	-	-	-	4,716,213
Buildings and improvements	15,926,975	-	-	-	15,926,975
Equipment	2,518,544	179,831	117,788	(58,303)	2,757,860
Vehicles	2,224,107	-	98,850	-	2,322,957
Furniture and fixtures	822,781	-	23,227	(70,715)	775,293
Land improvements	349,173	-	-	-	349,173
Subtotal	216,052,730	1,902,302	376,680	(129,018)	218,202,694
Accumulated depreciation:					
Structures, mains, and laterals	70,609,883	-	3,986,348	-	74,596,231
Meters	3,771,383	-	26,174	-	3,797,557
Buildings and improvements	6,220,804	-	404,733	-	6,625,537
Equipment	1,958,524	-	122,389	(58,303)	2,022,610
Vehicles	1,573,286	-	267,923	-	1,841,209
Furniture and fixtures	716,355	-	25,147	(70,715)	670,787
Land improvements	193,721	-	23,277	-	216,998
Subtotal	85,043,956	-	4,855,991	(129,018)	89,770,929
Net capital assets being depreciated	131,008,774	1,902,302	(4,479,311)	-	128,431,765
Net capital assets	\$ 144,845,888	\$ -	\$ 2,945,551	\$ -	\$ 147,791,439

	Balance April 1, 2013	Additions	Disposals and Adjustments	Balance March 31, 2014
Component Units				
Capital assets being depreciated - Land improvements	\$ 883,772	\$ -	\$ -	\$ 883,772
Accumulated depreciation - Land improvements	39,324	24,776	-	64,100
Net capital assets being depreciated	\$ 844,448	\$ (24,776)	\$ -	\$ 819,672

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

Note 3 - Capital Assets (Continued)

Construction in progress includes:

- \$8,964,157 of drain improvements constructed by the Oakland-Macomb Interceptor Drainage District (OMID). This represents the Township's portion of total OMID improvements. These improvements will be completed by OMID using state revolving loan funds and bonded debt. See Note 5 for additional information.
- \$192,352 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. See Note 5 for additional information.
- \$5,090,095 of drain improvements constructed by the Macomb Interceptor Drainage District (MID). This represents the Township's portion of total MID improvements. These improvements will be completed by MID using bonded debt. See Note 5 for additional information.

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

Governmental activities:

General government	\$ 241,686
Public safety	1,060,131
Public works	121,335
Recreation and senior activities	289,135
Infrastructure assets constructed by special assessment fund	<u>310,721</u>
Total governmental activities	<u>\$ 2,023,008</u>

Business-type activities:

Water and sewer	\$ 4,403,419
Sanitation	24,561
Senior housing	<u>428,011</u>
Total business-type activities	<u>\$ 4,855,991</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Water and Sewer Fund	\$ 1,245,439
	Other nonmajor funds	1,690,110
	Total General Fund	2,935,549
Sanitation Fund	Water and Sewer Fund	365,473
Other nonmajor funds	General Fund	102
	Other nonmajor funds	1,000
	Total other nonmajor funds	1,102
	Total	<u>\$ 3,302,124</u>

Receivable Fund	Payable Fund	Amount
Due to/from Primary Government and Component Units		
General Fund	Economic Development Corporation	\$ 18,166
	Downtown Development Authority	215
	Total General Fund	<u>\$ 18,381</u>

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

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

Receivable Fund	Payable Fund	Amount
Police Fund	Other nonmajor funds	<u>\$ 180,000</u>
Other nonmajor funds	General Fund	<u>\$ 319,886</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

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, 2014. 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, 2014

Note 5 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
Building Authority Refunding Bonds - Series 1998:*						
Amount of issue - \$10,390,000		\$255,971 -				
Maturing through 2017	5.50%	\$315,945	\$ 1,368,737	\$ (246,330)	\$ 1,122,407	\$ 255,971
Police Building Bonds - Series 1998:						
Amount of issue - \$8,000,000		\$550,000 -				
Maturing through 2018	4.00% - 4.75%	\$725,000	3,075,000	(550,000)	2,525,000	550,000
Police Building Bonds - Series 1999:						
Amount of issue - \$5,900,000		\$450,000 -				
Maturing through 2018	4.00%	\$600,000	2,550,000	(450,000)	2,100,000	450,000
Fire Building Refunding Bonds - Series 2011:						
Amount of issue - \$6,355,000		\$520,000 -				
Maturing through 2022	2.50% - 3.50%	\$710,000	5,535,000	(460,000)	5,075,000	520,000
41-B District Court Bonds - Series 2006:						
Amount of issue - \$13,500,000		\$300,000 -				
Maturing through 2031	4.00% - 4.50%	\$1,000,000	12,000,000	(300,000)	11,700,000	300,000
Capital Improvement Bonds - Series 2010:						
Amount of issue \$2,187,500		\$78,750 -				
Maturing through 2032	2.00% - 4.00%	\$157,500	2,108,750	(78,750)	2,030,000	78,750
MDOT Infrastructure Loan:						
Loan amount - \$477,720		\$47,991 -				
Maturing through 2019	1.00%	\$49,936	292,315	(47,516)	244,799	47,991
MDOT Infrastructure Loan:						
Loan amount - \$334,405		\$32,938 -				
Maturing through 2021	1.00%	\$34,962	270,167	(32,606)	237,561	32,938
Total bond/loan obligations			27,199,969	(2,165,202)	25,034,767	2,235,650
Other long-term obligations - Compensated absences			3,513,412	(45,232)	3,468,180	1,040,454
Total governmental activities			\$ 30,713,381	\$ (2,210,434)	\$ 28,502,947	\$ 3,276,104

* 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, 2014

Note 5 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-type Activities						
Building Authority Refunding Bonds - Series 1998:*						
Amount of issue - \$10,390,000		\$939,031 -				
Maturing through 2017	5.50%	\$1,159,055	\$ 5,021,255	\$ (903,663)	\$ 4,117,592	\$ 939,031
Capital Improvement Bonds - Series 2010						
Amount of issue - \$312,500		\$11,250 -				
Maturing through 2032	2.00% - 4.00%	\$22,500	301,250	(11,250)	290,000	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	3.80%	\$110,000	220,000	(110,000)	110,000	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	7.00%	\$100,000	300,000	(100,000)	200,000	100,000
Revenue bonds:						
Revenue Refunding Bonds - Series 1998:						
Amount of issue - \$4,110,000						
Maturing through 2013	5.00%		240,000	(240,000)	-	-
Revenue Bonds - Series 2001:						
Amount of issue - \$8,000,000		\$425,000 -				
Maturing through 2022	4.00%	\$650,000	5,100,000	(400,000)	4,700,000	425,000
Revenue Refunding Bonds - Series 2004:						
Amount of issue - \$2,570,000		\$305,000 -				
Maturing through 2016	3.30% - 3.40%	\$350,000	995,000	(5,000)	990,000	305,000
Revenue Bonds - CWRP Project 5191-01:						
Amount of issue - \$1,405,000		\$70,000 -				
Maturing through 2024	2.125%	\$85,000	845,000	(70,000)	775,000	70,000
Revenue Bonds - SQWIF Project 3001-01:						
Amount of issue - \$270,000		\$8,471 -				
Maturing through 2024	1.625%	\$10,000	118,471	(10,000)	108,471	10,000
Revenue Bonds - Series 2006:						
Amount of issue - \$5,000,000		\$200,000 -				
Maturing through 2026	3.875% - 4.30%	\$400,000	4,400,000	(200,000)	4,200,000	200,000
County drain contract obligations:						
North Gratiot Interceptor Drainage District - Series 2010:						
Amount of issue - \$172,370		\$5,436 -				
Maturing through 2035	3.4% - 6.35%	\$9,906	158,502	(5,385)	153,117	5,436
North Gratiot Interceptor Drainage District - Series 2008:						
Amount of issue - \$1,853,714		\$62,233 -				
Maturing through 2033	3.75% - 5.00%	\$99,573	1,647,099	(62,233)	1,584,866	62,233
2010A OMID Drainage District (SRF):						
Amount of issue - \$2,932,468		\$123,142 -				
Maturing through 2031	2.50%	\$183,869	2,655,504	(75,142)	2,580,362	123,142
2010B OMID Drainage District:						
Amount of issue - \$753,472		\$28,115 -				
Maturing through 2030	3.45% - 5.90%	\$58,481	680,936	(26,990)	653,946	28,115
2011 OMID Drainage District:						
Amount of issue - \$3,524,966		\$138,071 -				
Maturing through 2033	2.50%	\$220,224	1,335,610	1,226,771	2,562,381	138,071
2010A MID Drainage District:						
Amount of issue - \$18,226,352		\$588,992 -				
Maturing through 2035	1.25% - 5.38%	\$1,073,147	17,082,678	(581,367)	16,501,311	588,992
2011 MID Drainage District (Clintondale):						
Amount of issue - \$6,725,673		\$196,529 -				
Maturing through 2031	5.00%	\$545,915	6,398,124	(185,611)	6,212,513	196,529
2013A OMID Drainage District:						
Amount of issue - \$7,691,967		\$316,464 -				
Maturing through 2034	2.00%	\$461,117	-	1,386,892	1,386,892	-
Total bond obligations			47,499,429	(372,978)	47,126,451	3,312,799

* 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, 2014

Note 5 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-type Activities (Continued)						
Other long-term obligations:						
Compensated absences			\$ 215,003	\$ 17,277	\$ 232,280	\$ 69,684
Bond issuance premium			380,608	(21,145)	359,463	21,145
Bond issuance discount			(236,975)	10,772	(226,203)	(10,772)
Deposits			418,407	(7,421)	410,986	-
Restricted assets held at county			1,204,679	(686,711)	517,968	-
Total business-type activities			49,481,151	(1,060,206)	48,420,945	3,392,856
Total primary government			\$ 80,194,532	\$ (3,270,640)	\$ 76,923,892	\$ 6,668,960

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
2015	\$ 2,235,648	\$ 998,180	\$ 3,233,828	\$ 3,312,799	\$ 1,834,056	\$ 5,146,855
2016	2,540,550	907,148	3,447,698	3,704,582	1,708,891	5,413,473
2017	2,659,221	807,179	3,466,400	3,735,499	1,569,072	5,304,571
2018	2,941,819	708,599	3,650,418	3,652,941	1,433,742	5,086,683
2019	1,326,083	594,768	1,920,851	2,567,239	1,291,585	3,858,824
2020-2024	5,846,448	2,258,773	8,105,221	13,779,890	5,111,435	18,891,325
2025-2029	5,034,375	1,217,269	6,251,644	12,053,506	2,933,503	14,987,009
2030-2034	2,450,623	162,563	2,613,186	10,043,472	1,067,833	11,111,305
Thereafter	-	-	-	1,544,170	42,450	1,586,620
Total	\$ 25,034,767	\$ 7,654,479	\$ 32,689,246	\$ 54,394,098	\$ 16,992,567	\$ 71,386,665

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 \$2,562,381, which includes draws of \$1,226,771 during the current year.

During the year ended March 31, 2014, the Oakland-Macomb Interceptor Drainage District (OMID) was approved for approximately \$65.1 million of loans from the Michigan State Revolving Fund (SRF) (OMID Series 2013A). As of year end, the Township's portion of the draws from the SRF was \$1,386,892, which is comprised entirely of current year draws.

Subsequent to the balance sheet date, the Township was approved for approximately \$5.6 million of additional loans from the Michigan State Revolving Fund (SRF). The loan is due to be repaid over a period 20 years subject to an interest rate of 2.5 percent.

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

Note 5 - Long-term Debt (Continued)

No Commitment Debt

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

Revenue Bonds

The Township has pledged certain revenue of the Water and Sewer Fund, net of operating expenses, to repay the revenue bonds disclosed above. Proceeds from the bonds provided financing for the repair of water and sewer lines. The bonds are payable solely from the net revenue of the water and sewer system. The remaining principal and interest to be paid on the bonds total \$13,113,295. During the current year, net income, before depreciation and lines donated by developers and other governmental units (both of which are noncash activities), of the water and sewer system totaled \$7,096,218, compared to annual debt requirements of \$1,355,839.

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, 2014, \$5,300,000 of Building Authority Bonds and \$5,600,000 of Fire Revenue Bonds outstanding are considered defeased.

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

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, 2014 is funded by certificates of deposits and money market funds in the amount of \$1,568,812.

Unspent bond proceeds are as follows:

Due from Oakland County*	\$ 254,266
Due from Macomb County**	2,617,456

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

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

Net position has been reserved for restricted assets.

Note 7 - Risk Management

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

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

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

Note 7 - Risk Management (Continued)

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

	Workers' Compensation		Medical Benefits	
	2014	2013	2014	2013
Estimated liability (asset) - Beginning of year	\$ 955,460	\$ 676,859	\$ (752,919)	\$ 738,566
Estimated claims incurred, including changes in estimates	1,775	603,260	5,815,100	7,070,929
Claim payments	(313,762)	(324,659)	(5,775,306)	(8,562,414)
Estimated liability (asset) - End of year	\$ 643,473	\$ 955,460	\$ (713,125)	\$ (752,919)

Note 8 - Commitments and Contingencies

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

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

Construction Commitments - The Charter Township of Clinton has active construction projects at year end. As of March 31, 2014, the Township's commitments with contractors are as follows:

	Spent to Date	Retainages Payable	Remaining Commitment
Engineering - District E 2013-2014 flow monitoring	\$ 29,615	\$ -	\$ 79,110
Engineering - District D I & I study	32,588	-	30,812
Control panel improvement	34,415	-	29,675
Pressure reducing valves	634,865	62,553	320,762
Sanitary sewer CIPP	841,554	93,506	31,200
Charb/Ormsby/St. Francis water main	329,006	36,556	110,813
Benchmark system upgrade	64,382	-	20,418

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

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, in some years, made contributions to advance-fund these benefits, as determined by the Township board through annual budget resolutions. The costs of administering the plan are borne by the Township's General Fund.

For the year ended March 31, 2014, the Township has estimated the cost of providing retiree healthcare benefits through information provided by an actuarial valuation dated as of September 1, 2012. The valuation computes a contribution rate which is applied to a payroll value to derive an annual required contribution (ARC). The calculated ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 4,920,922	\$ 3,877,665
Amounts contributed:		
Payments of current premiums	(3,800,753)	(3,592,946)
Advance funding	<u>(200,000)</u>	<u>-</u>
Decrease in net OPEB asset	920,169	284,719
OPEB (asset) liability - Beginning of year	<u>(459,662)</u>	<u>(744,381)</u>
OPEB (asset) liability - End of year	<u>\$ 460,507</u>	<u>\$ (459,662)</u>

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

Note 9 - Postemployment Benefits (Continued)

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

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Annual OPEB Costs</u>	<u>Percentage Contributed</u>	<u>Net OPEB Asset (Liability)</u>
March 31, 2014	September 1, 2012	\$ 4,920,922	81 %	\$ (460,507)
March 31, 2013	September 1, 2010	3,877,665	93	459,662
March 31, 2012	September 1, 2010	3,877,665	101	744,381

The funding progress of the plan is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (Percent) (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll</u>
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

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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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.

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

Note 9 - Postemployment Benefits (Continued)

In the September 1, 2012 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, 2012 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, 2014, the Township made contributions of \$62,583 and the plan members contributed \$25,084 to the plan.

Note 10 - Pension Plans

Fire and Police Pension System Fund

System Description and Contribution Information

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

Note 10 - Pension Plans (Continued)

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, 2014, the Township's annual pension cost of \$3,768,283 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		
	2014	2013	2012
Annual pension cost (APC)	\$ 3,768,283	\$ 3,397,420	\$ 3,833,280
Percentage of APC contributed	100 %	100 %	100 %

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

	Actuarial Valuation as of March 31		
	2011	2012	2013
Actuarial value of assets	\$ 105,263,350	\$ 106,736,745	\$ 113,485,366
Actuarial accrued liability (AAL)			
(entry age)	\$ 114,226,069	\$ 120,820,565	\$ 126,309,250
Unfunded AAL (UAAL)	\$ 8,962,719	\$ 14,083,820	\$ 12,823,884
Funded ratio	92.2 %	88.3 %	89.8 %
Covered payroll	\$ 14,199,300	\$ 14,850,984	\$ 13,278,700
UAAL as a percentage of covered payroll	63.1 %	94.8 %	96.6 %

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

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

Note 10 - Pension Plans (Continued)

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at March 31, 2012. 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, 2012 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, 2014, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 10,968,653
Reserve for employer contributions	45,383,666
Reserve for membership annuities	60,144,905

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.

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

Note 10 - Pension Plans (Continued)

Annual Pension Cost - For the year ended March 31, 2014, the Township's annual pension cost of \$1,732,378 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, 2011, 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 13.0 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 27-year period for positive unfunded liabilities and a 10-year period for negative unfunded liabilities. The actuarial assumptions used in the December 31, 2012 valuation did not differ from those used in the December 31, 2011 valuation.

Three-year Trend Information

	Fiscal Year Ended March 31		
	2012	2013	2014
Annual pension cost (APC)	\$ 1,385,304	\$ 1,550,403	\$ 1,732,378
Percentage of APC contributed	100 %	100 %	100 %

	Actuarial Valuation as of December 31		
	2011	2012	2013
Actuarial value of assets	\$ 44,579,515	\$ 44,809,311	\$ 45,368,946
Actuarial accrued liability (AAL) (entry age)	\$ 62,789,449	\$ 64,580,306	\$ 65,271,671
Unfunded AAL (UAAL)	\$ 18,209,934	\$ 19,770,995	\$ 19,902,725
Funded ratio	71.0 %	69.4 %	69.5 %
Covered payroll	\$ 9,397,043	\$ 8,868,646	\$ 8,539,538
UAAL as a percentage of covered payroll	193.8 %	222.9 %	233.1 %

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

Note 11 - Defined Contribution Pension Plans

Charter Township of Clinton Group Pension Plan

The Township provides pension benefits to all elected officials through the Charter Township of Clinton Group Pension Plan, a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate in the plan on the first day of the month following the date the plan's eligibility requirements are met. As established by the plan, the Township contributes 17 percent of participating employees' compensation to the plan. Participating employees are required to contribute three percent of compensation to the plan and may make additional voluntary after-tax contributions of one percent to five percent of compensation. Employer contributions for each employee plus interest allocated to the employee's account are fully vested after 20 months of service.

The Township's total covered payroll during the current year was \$298,255, resulting in an employer contribution of \$50,703 and employee contributions of \$22,462.

Clinton Township Public Safety Money Purchase Plan and Trust

The Township provides pension benefits through the Clinton Township Public Safety Money Purchase Plan and Trust, a defined contribution plan, to all of its full-time employees who have 25 years of service credit in the Charter Township of Clinton Fire and Police Pension System and are authorized by collective bargaining agreement to elect participation in the plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of completion of 25 years of service credit in the Charter Township of Clinton Fire and Police Pension System. As established by the plan, the Township contributes between 7 percent and 10 percent of participating employees' eligible compensation to the plan. Participating employees are required to contribute seven percent of eligible compensation to the plan. Participating employees may also make voluntary after-tax contributions up to 5.5 percent of compensation, and the Township makes a matching contribution, provided that total employer and employee contributions do not exceed 25 percent of eligible compensation. Employer contributions plus interest allocated to the employee's account are fully vested immediately.

The Township's total covered payroll during the current year was \$393,607, resulting in an employer contribution of \$51,568 and employee contributions of \$46,834.

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

Note 12 - 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	\$ 634,710	\$ -	\$ 634,710	\$ -
Long-term due from other governments	3,627,000	-	3,627,000	-
Other grant revenue	-	36,883	36,883	36,883
Total	<u>\$ 4,261,710</u>	<u>\$ 36,883</u>	<u>\$ 4,298,593</u>	<u>\$ 36,883</u>

Note 13 - Joint Ventures

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

The Township, in conjunction with 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.

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

Note 13 - Joint Ventures (Continued)

The Township is also a member of the 41-B District Court Common Fund (the "Court"), a joint venture that provides judiciary services to the City of Mount Clemens 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.

Note 14 - Fund Balance Constraints

The detail of the various components of fund balance is as follows:

	General Capital Projects Fund
Fund Balances	
Restricted - Transportation	\$ 100,000
Assigned:	
Next year's budget	410,747
Cass Avenue loan principal and interest	252,192
Romeo Plank loan principal and interest	247,155
Technology	295,803
Sidewalk program	100,000
Tentative SAD projects	100,000
	<hr/>
Total nonspendable	\$ 1,505,897

Charter Township of Clinton

Notes to Financial Statements March 31, 2014

Note 15 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued two new pension standards, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. These new standards significantly revise the current accounting and reporting for pensions, both from an employer perspective as well as from a plan perspective. Employers providing defined benefit pensions to its employees must now, under these new standards, recognize their unfunded pension benefit obligation as a liability for the first time and 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 and expanded note disclosures and required supplemental information (RSI). Statement No. 67 is required to be adopted for years beginning after June 15, 2013 and Statement No. 68 one year later.

Required Supplemental Information

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,193,000	\$ 2,292,600	\$ 2,245,219	\$ (47,381)
Licenses and permits	953,100	1,175,800	1,218,659	42,859
Federal grants	17,000	56,385	61,569	5,184
State-shared revenue and grants	7,749,832	7,949,832	7,828,548	(121,284)
Interest	30,000	50,000	19,656	(30,344)
Other revenue	3,154,245	3,703,752	3,812,779	109,027
Total revenue	14,097,177	15,228,369	15,186,430	(41,939)
Expenditures				
Current:				
General government	4,138,599	4,920,268	4,588,889	331,379
Public safety	1,374,206	1,359,019	1,326,065	32,954
Public works	3,716,841	3,740,236	3,551,437	188,799
Community and economic development	645,831	602,922	579,724	23,198
Recreation and culture	2,259,065	2,239,527	2,176,453	63,074
Debt service	148,819	148,819	148,819	-
Total expenditures	12,283,361	13,010,791	12,371,387	639,404
Excess of Revenue Over Expenditures	1,813,816	2,217,578	2,815,043	597,465
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	450,000	497,750	465,702	(32,048)
Transfers out	(345,186)	(319,886)	(319,886)	-
Total other financing sources	104,814	177,864	145,816	(32,048)
Net Change in Fund Balance	1,918,630	2,395,442	2,960,859	565,417
Fund Balance - Beginning of year	16,595,069	16,595,069	16,595,069	-
Fund Balance - End of year	<u>\$ 18,513,699</u>	<u>\$ 18,990,511</u>	<u>\$ 19,555,928</u>	<u>\$ 565,417</u>

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Fund Year Ended March 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 11,974,300	\$ 15,211,300	\$ 15,235,538	\$ 24,238
Federal grants	-	34,056	49,374	15,318
Interest	25,000	25,000	21,989	(3,011)
Other revenue	8,300	19,036	23,346	4,310
Total revenue	12,007,600	15,289,392	15,330,247	40,855
Expenditures				
Current - Public safety	12,734,618	11,946,309	11,463,622	482,687
Debt service:				
Principal	460,000	460,000	460,000	-
Interest on long-term debt	174,113	174,113	173,813	300
Total expenditures	13,368,731	12,580,422	12,097,435	482,987
Excess of Revenue Over Expenditures	(1,361,131)	2,708,970	3,232,812	523,842
Other Financing Sources - Proceeds				
from sale of capital assets	2,000	1,000	773	(227)
Net Change in Fund Balance	(1,359,131)	2,709,970	3,233,585	523,615
Fund Balance - Beginning of year	15,965,579	15,965,579	15,965,579	-
Fund Balance - End of year	<u>\$ 14,606,448</u>	<u>\$ 18,675,549</u>	<u>\$ 19,199,164</u>	<u>\$ 523,615</u>

Charter Township of Clinton

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Fund Year Ended March 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 15,654,500	\$ 18,272,100	\$ 18,302,178	\$ 30,078
Licenses and permits	56,000	50,000	50,734	734
Federal grants	22,000	23,120	22,607	(513)
State-shared revenue and grants	74,000	126,800	150,176	23,376
Interest	10,000	20,000	29,187	9,187
Other revenue	440,569	431,269	528,898	97,629
Total revenue	16,257,069	18,923,289	19,083,780	160,491
Expenditures - Current - Public safety	17,457,143	17,370,477	16,389,875	980,602
Excess of Expenditures Over Revenue	(1,200,074)	1,552,812	2,693,905	1,141,093
Other Financing Sources				
Proceeds from sale of capital assets	25,000	22,000	22,042	42
Transfers in	275,000	180,000	180,000	-
Total other financing sources	300,000	202,000	202,042	42
Net Change in Fund Balance	(900,074)	1,754,812	2,895,947	1,141,135
Fund Balance - Beginning of year	21,905,330	21,905,330	21,905,330	-
Fund Balance - End of year	<u>\$ 21,005,256</u>	<u>\$ 23,660,142</u>	<u>\$ 24,801,277</u>	<u>\$ 1,141,135</u>

Charter Township of Clinton

Required Supplemental Information Pension System Schedule of Funding Progress and Employer Contributions Year Ended March 31, 2014

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
3/31/08	\$ 96,959,753	\$ 95,924,951	\$ (1,034,802)	101.1 %	\$ 15,810,152	(6.5)%
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	110,415,165	10,151,190	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
3/31/13	113,485,366	126,309,250	12,823,884	89.8	13,278,700	96.6

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
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
3/31/14	3/31/12	3,768,283	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, 2013, 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

Required Supplemental Information OPEB System Schedule Year Ended March 31, 2014

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
9/1/12	\$ 23,271,604	\$ 83,194,819	\$ 59,923,215	28.0	\$ 20,676,144	289.8
9/1/10	20,513,485	65,453,220	44,939,735	31.3	23,067,609	194.8
9/1/08	14,761,410	68,564,301	53,802,891	21.5	23,987,344	224.3

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual Required Contribution *	Percentage Contributed
3/31/14	\$ 4,920,922	81.3
3/31/13	3,877,665	92.7
3/31/12	3,877,665	101.1

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

Charter Township of Clinton

Note to Required Supplemental Information Year Ended March 31, 2014

Note - Budgetary Information

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

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

Encumbrances are not included as expenditures. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. The amount of encumbrances outstanding at March 31, 2014 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	\$ 15,186,430	\$ 12,385,697	\$ 2,800,733
General government	-	9,286	(9,286)
Public safety	-	(22,565)	22,565
Public works	-	(1,031)	1,031
Amounts per General Fund budget statement	<u>\$ 15,186,430</u>	<u>\$ 12,371,387</u>	<u>\$ 2,815,043</u>

Other Supplemental Information

Charter Township of Clinton

Nonmajor Special Revenue Funds						
	Drainage	Community Development Block Grant	Drug Forfeiture	Street Lighting	DEA Task Force	SAFER
Assets						
Cash and investments	\$ 238,523	\$ -	\$ 545,671	\$ 483,473	\$ 195,818	\$ -
Receivables:						
Taxes	-	-	-	-	-	-
Customers	-	-	-	41,671	-	-
Other receivables	-	-	-	-	-	-
Due from other governmental units	2,050	104,359	-	-	-	-
Due from other funds	-	-	1,102	-	-	-
Total assets	\$ 240,573	\$ 104,359	\$ 546,773	\$ 525,144	\$ 195,818	\$ -
Liabilities						
Accounts payable	\$ 5,505	\$ 81,737	\$ 956	\$ 65,370	\$ -	\$ -
Due to other funds	-	22,622	-	-	1,000	-
Accrued liabilities and other	1,500	-	-	-	-	-
Total liabilities	7,005	104,359	956	65,370	1,000	-
Fund Balances						
Restricted:						
Drainage	233,568	-	-	-	-	-
Police	-	-	-	-	194,818	-
Debt service	-	-	-	-	-	-
Drug forfeiture	-	-	545,817	-	-	-
Street lighting	-	-	-	459,774	-	-
Transportation	-	-	-	-	-	-
Assigned - Capital projects	-	-	-	-	-	-
Total fund balances	233,568	-	545,817	459,774	194,818	-
Total liabilities and fund balances	\$ 240,573	\$ 104,359	\$ 546,773	\$ 525,144	\$ 195,818	\$ -

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2014**

Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds			Nonmajor Capital Project Funds			Total Nonmajor Governmental Funds
	Building Authority	Police Facility	Total Debt Service Funds	2010 Construction Fund	General	Total Capital Project Funds	
					Capital Projects Fund		
\$ 1,463,485	\$ 17,526	\$ 1,153,967	\$ 1,171,493	\$ 285,041	\$ 1,505,749	\$ 1,790,790	\$ 4,425,768
-	-	69,923	69,923	-	-	-	69,923
41,671	-	-	-	-	-	-	41,671
-	-	-	-	-	12,264	12,264	12,264
106,409	-	-	-	-	-	-	106,409
1,102	-	-	-	-	-	-	1,102
\$ 1,612,667	\$ 17,526	\$ 1,223,890	\$ 1,241,416	\$ 285,041	\$ 1,518,013	\$ 1,803,054	\$ 4,657,137
\$ 153,568	\$ 4,256	\$ 1,139	\$ 5,395	\$ -	\$ 12,116	\$ 12,116	\$ 171,079
23,622	253	1,115,383	1,115,636	285,041	-	285,041	1,424,299
1,500	-	1,042	1,042	-	-	-	2,542
178,690	4,509	1,117,564	1,122,073	285,041	12,116	297,157	1,597,920
233,568	-	-	-	-	-	-	233,568
194,818	-	-	-	-	-	-	194,818
-	13,017	106,326	119,343	-	-	-	119,343
545,817	-	-	-	-	-	-	545,817
459,774	-	-	-	-	-	-	459,774
-	-	-	-	-	100,000	100,000	100,000
-	-	-	-	-	1,405,897	1,405,897	1,405,897
1,433,977	13,017	106,326	119,343	-	1,505,897	1,505,897	3,059,217
\$ 1,612,667	\$ 17,526	\$ 1,223,890	\$ 1,241,416	\$ 285,041	\$ 1,518,013	\$ 1,803,054	\$ 4,657,137

Charter Township of Clinton

Nonmajor Special Revenue Funds						
	Drainage	Community Development Block Grant	Drug Forfeiture	Street Lighting	DEA Task Force	SAFER
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ 519,624	\$ -	\$ -
Federal sources	-	494,173	-	-	-	516,373
Fines and forfeitures	-	-	355,352	-	204,797	-
Interest	494	-	114	351	-	-
Other revenue	74,289	-	-	-	-	-
Total revenue	74,783	494,173	355,466	519,975	204,797	516,373
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	184,350	-	-	516,373
Public works	122,318	-	-	458,966	-	-
Community and economic development	-	494,173	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-
Total expenditures	122,318	494,173	184,350	458,966	-	516,373
Excess of Revenue (Under) Over Expenditures	(47,535)	-	171,116	61,009	204,797	-
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	-	-	16,500	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(125,000)	-	(55,000)	-
Total other financing (uses) sources	-	-	(108,500)	-	(55,000)	-
Net Change in Fund Balances	(47,535)	-	62,616	61,009	149,797	-
Fund Balances - Beginning of year	281,103	-	483,201	398,765	45,021	-
Fund Balances - End of year	\$ 233,568	\$ -	\$ 545,817	\$ 459,774	\$ 194,818	\$ -

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended March 31, 2014

Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds			Nonmajor Capital Project Funds			Total Nonmajor Governmental Funds
	Building Authority	Police Facility	Total Debt Service Funds	2010 Construction Fund	General Capital Projects Fund	Total Capital Project Funds	
\$ 519,624	\$ -	\$ 1,227,074	\$ 1,227,074	\$ -	\$ -	\$ -	\$ 1,746,698
1,010,546	-	-	-	-	-	-	1,010,546
560,149	-	-	-	-	-	-	560,149
959	24	-	24	-	2,906	2,906	3,889
74,289	-	-	-	-	27,807	27,807	102,096
<u>2,165,567</u>	<u>24</u>	<u>1,227,074</u>	<u>1,227,098</u>	<u>-</u>	<u>30,713</u>	<u>30,713</u>	<u>3,423,378</u>
-	4,713	-	4,713	-	158,655	158,655	163,368
700,723	-	1,447	1,447	-	-	-	702,170
581,284	-	-	-	-	11,853	11,853	593,137
494,173	-	-	-	-	-	-	494,173
-	246,330	1,000,000	1,246,330	-	85,746	85,746	1,332,076
-	73,556	233,250	306,806	-	-	-	306,806
<u>1,776,180</u>	<u>324,599</u>	<u>1,234,697</u>	<u>1,559,296</u>	<u>-</u>	<u>256,254</u>	<u>256,254</u>	<u>3,591,730</u>
389,387	(324,575)	(7,623)	(332,198)	-	(225,541)	(225,541)	(168,352)
16,500	-	-	-	-	-	-	16,500
-	319,886	-	319,886	-	-	-	319,886
(180,000)	-	-	-	-	-	-	(180,000)
<u>(163,500)</u>	<u>319,886</u>	<u>-</u>	<u>319,886</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,386</u>
225,887	(4,689)	(7,623)	(12,312)	-	(225,541)	(225,541)	(11,966)
1,208,090	17,706	113,949	131,655	-	1,731,438	1,731,438	3,071,183
<u>\$ 1,433,977</u>	<u>\$ 13,017</u>	<u>\$ 106,326</u>	<u>\$ 119,343</u>	<u>\$ -</u>	<u>\$ 1,505,897</u>	<u>\$ 1,505,897</u>	<u>\$ 3,059,217</u>

Charter Township of Clinton

Other Supplemental Information Combining Statement of Net Position Fiduciary Funds March 31, 2014

	Pension and Other Employee Benefit Trust Funds			Agency Funds			
	Fire and Police	Public Employee	Total	Tax Collection	Cash Bond	Trust and Agency	Total
	Pension System	Healthcare					
Assets							
Cash	\$ -	\$ 209,102	\$ 209,102	\$ 102,935	\$ 186,148	\$ 595,390	\$ 884,473
Investments:							
Bank investment pools	2,481,336	-	2,481,336	-	-	-	-
Money market funds	2,503,582	-	2,503,582	-	-	-	-
U.S. Treasury notes	2,634,651	-	2,634,651	-	-	-	-
Mutual funds	27,509,806	25,393,030	52,902,836	-	-	-	-
Common stock	39,421,411	-	39,421,411	-	-	-	-
U.S. government agency securities	2,917,726	-	2,917,726	-	-	-	-
Corporate bonds	12,713,633	-	12,713,633	-	-	-	-
Hedge funds	9,517,068	-	9,517,068	-	-	-	-
Real estate investment trusts	3,976,965	-	3,976,965	-	-	-	-
Limited partnerships	16,823,403	-	16,823,403	-	-	-	-
Cash and investments held as collateral for securities lending	788,620	-	788,620	-	-	-	-
Receivables	300	-	300	16,176	-	-	16,176
Total assets	121,288,501	25,602,132	146,890,633	<u>\$ 119,111</u>	<u>\$ 186,148</u>	<u>\$ 595,390</u>	<u>\$ 900,649</u>
Liabilities							
Benefits payable and other liabilities	4,002,657	-	4,002,657	\$ 102,880	\$ 3,998	\$ 9,047	\$ 115,925
Refundable deposits, bonds, etc.	-	-	-	16,231	182,150	586,343	784,724
Amounts due broker under securities lending arrangements	788,620	-	788,620	-	-	-	-
Total liabilities	4,791,277	-	4,791,277	<u>\$ 119,111</u>	<u>\$ 186,148</u>	<u>\$ 595,390</u>	<u>\$ 900,649</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 116,497,224</u>	<u>\$ 25,602,132</u>	<u>\$ 142,099,356</u>				

Charter Township of Clinton

Other Supplemental Information Combining Statement of Changes in Net Position Fiduciary Funds Year Ended March 31, 2014

	Fire and Police Pension System Trust	Public Employee Healthcare	Total
	<u>Trust</u>	<u>Healthcare</u>	<u>Total</u>
Additions			
Investment income (loss):			
Interest and dividends	\$ 2,750,352	\$ 588,419	\$ 3,338,771
Net appreciation in fair value of investments	7,050,571	1,001,850	8,052,421
Investment-related expenses	(692,644)	-	(692,644)
Net investment income	<u>9,108,279</u>	<u>1,590,269</u>	<u>10,698,548</u>
Securities lending income:			
Interest and fees	3,721	-	3,721
Less borrower rebates and fees	(991)	-	(991)
Net securities lending income	<u>2,730</u>	<u>-</u>	<u>2,730</u>
Contributions:			
Employer	3,768,283	4,000,753	7,769,036
Employee	1,035,535	-	1,035,535
Total contributions	<u>4,803,818</u>	<u>4,000,753</u>	<u>8,804,571</u>
Total additions	<u>13,914,827</u>	<u>5,591,022</u>	<u>19,505,849</u>
Deductions			
Benefit payments and annuity withdrawals	8,784,844	3,800,753	12,585,597
Administrative expenses	84,601	-	84,601
Total deductions	<u>8,869,445</u>	<u>3,800,753</u>	<u>12,670,198</u>
Net Increase in Net Position Held in Trust	<u>5,045,382</u>	<u>1,790,269</u>	<u>6,835,651</u>
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>111,451,842</u>	<u>23,811,863</u>	<u>135,263,705</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 116,497,224</u>	<u>\$ 25,602,132</u>	<u>\$ 142,099,356</u>