

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

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**Financial Report  
with Supplemental Information  
March 31, 2017**

# Charter Township of Clinton

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## Contents

<b>Report Letter</b>	1-3
<b>Management's Discussion and Analysis</b>	4-13
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15-16
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	17
Reconciliation of the Balance Sheet to the Statement of Net Position	18
Statement of Revenue, Expenditures, and Changes in Fund Balances	19
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Proprietary Funds:	
Statement of Net Position	21
Statement of Revenue, Expenses, and Changes in Net Position	22
Statement of Cash Flows	23
Fiduciary Funds:	
Statement of Net Position	24
Statement of Changes in Net Position	25
Component Units:	
Statement of Net Position	26
Statement of Activities	27-28
Notes to Financial Statements	29-75

# Charter Township of Clinton

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## Contents (Continued)

<b>Required Supplemental Information</b>	76
Budgetary Comparison Schedule - General Fund	77
Budgetary Comparison Schedule - Major Special Revenue Funds	78-79
Note to Required Supplemental Information	80
OPEB System Schedules of Funding Progress and Employer Contributions	81
Schedule of Changes in the Township Net Pension Liability and Related Ratios - MERS	82
Schedule of Township Contributions - MERS	83
Schedule of Changes in the Township Net Pension Liability and Related Ratios - Fire and Police Pension System	84
Schedule of Township Contributions - Fire and Police Pension System	85
Schedule of Investment Returns - Fire and Police Pension System	86
<b>Other Supplemental Information</b>	87
Nonmajor Governmental Funds:	
Combining Balance Sheet	88-89
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	90-91
Fiduciary Funds:	
Combining Statement of Net Position	92
Combining Statement of Changes in Net Position	93

## 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, 2017, and the related notes to the financial statements, which collectively comprise the Charter Township of Clinton's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Clinton as of March 31, 2017 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees  
Charter Township of Clinton

### ***Emphasis of Matter***

As discussed in Note 1 to the basic financial statements, effective for the year ended March 31, 2017, the Township adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of adopting this new accounting standard, the notes to the financial statements now include enhanced disclosures about fair value measurement, the level of fair value hierarchy, and valuation techniques. Our opinion is not modified with respect to this matter.

As explained in Note 3, the financial statements include investments related to the Fire and Police Pension System valued at approximately \$39.9 million at March 31, 2017 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, schedules of changes in the Township's net pension liability and related ratios, schedule of township contributions, schedule of investment returns, OPEB schedule of funding progress and employer contributions, and the major funds 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.

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.

To the Board of Trustees  
Charter Township of Clinton

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2017 on our consideration of the Charter Township of Clinton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter Township of Clinton's internal control over financial reporting and compliance.

*Plante & Morse, PLLC*

August 31, 2017

# **Charter Township of Clinton**

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## **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, 2017. 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 14-16. These two statements are presented on a full accrual basis, which is designed to present a longer-term view of the Township's finances. Unlike the more traditional fund-based financial statements, all activities reflected in these statements reflect the Township's investment in capital assets, net of depreciation as an asset, noncurrent liabilities as liabilities, and the current period depreciation as an expense.

The second of these two series is presented on pages 17-28. 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, 2017 and 2016:

#### Summary Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Current Assets</b>	\$ 84,385.6	\$ 86,343.5	\$ 34,310.5	\$ 29,473.7	\$ 118,696.1	\$ 115,817.2
<b>Noncurrent Assets</b>						
Restricted assets	-	-	1,960.9	3,840.7	1,960.9	3,840.7
Special assessments	-	-	851.9	1,049.2	851.9	1,049.2
Net OPEB asset	8,528.1	4,107.2	-	-	8,528.1	4,107.2
Capital assets	41,736.6	38,062.0	168,511.6	165,620.0	210,248.2	203,682.0
Total assets	134,650.3	128,512.7	205,634.9	199,983.6	340,285.2	328,496.3
<b>Deferred Outflows of Resources -</b>						
Pension	18,186.4	23,316.6	1,411.7	2,016.3	19,598.1	25,332.9
<b>Liabilities</b>						
Current liabilities	5,736.1	5,903.3	9,083.5	8,407.6	14,819.6	14,310.9
Net pension liability	66,068.3	70,890.8	9,020.0	9,737.3	75,088.3	80,628.1
Long-term liabilities	16,820.3	19,929.9	53,651.1	55,234.2	70,471.4	75,164.1
Total liabilities	88,624.7	96,724.0	71,754.6	73,379.1	160,379.3	170,103.1
<b>Deferred Inflows of Resources -</b>						
Pension	7,360.6	47.0	448.5	-	7,809.1	47.0
<b>Net Position</b>						
Net investment in capital assets	24,117.3	17,730.5	112,394.8	108,889.1	136,512.1	126,619.6
Restricted	20,297.1	15,919.4	2,001.4	2,951.1	22,298.5	18,870.5
Unrestricted	12,437.0	21,408.4	20,447.3	16,780.6	32,884.3	38,189.0
Total net position	<b>\$ 56,851.4</b>	<b>\$ 55,058.3</b>	<b>\$ 134,843.5</b>	<b>\$ 128,620.8</b>	<b>\$ 191,694.9</b>	<b>\$ 183,679.1</b>

Total net position related to the Township's governmental activities increased by approximately \$1.8 million. An approximate \$3.1 million increase resulted from revenue exceeding expenditures across most governmental funds before a transfer of \$1.3 million to the Special Assessment Fund to provide for paving projects. The Township doubled its contribution to the Retiree Health Care Fund, increasing the Township's net OPEB asset, thus increasing governmental activities net position by \$4.4 million. During the prior year, the Township adopted GASB Statement Number 68, *Accounting and Financial Reporting for Pensions*. As a result of GASB Statement No. 68, net position was decreased by \$7.9 million. A \$174 thousand increase in net position is the result of a reduction in the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. Net position was increased by approximately \$168.2 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 20.

# Charter Township of Clinton

## Management's Discussion and Analysis (Continued)

For the year ended March 31, 2017, the Township continues to record its liability/asset (in the Township's case for March 31, 2017, it is an asset) in accordance with Governmental Accounting Standards Board Statement No. 45 (GASB Statement 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 asset included in Note 14 to these financial statements is \$8.5 million at March 31, 2017.

The following table shows the changes in net position (in thousands of dollars) during the years ended March 31, 2017 and 2016:

### Summary Condensed Income Statement

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 3,611.3	\$ 3,412.8	\$ 47,475.7	\$ 45,232.0	\$ 51,087.0	\$ 48,644.8
Operating grants and contributions	2,096.8	2,110.2	362.0	267.8	2,458.8	2,378.0
Capital grants and contributions	-	22.1	26.6	1,619.5	26.6	1,641.6
General revenue:						
Property taxes	40,114.3	39,391.4	-	-	40,114.3	39,391.4
State-shared revenue	8,118.8	7,659.4	-	-	8,118.8	7,659.4
Interest	133.1	107.8	132.9	75.8	266.0	183.6
Miscellaneous	3,359.0	3,773.3	5.0	11.8	3,364.0	3,785.1
<b>Total revenue</b>	<b>57,433.3</b>	<b>56,477.0</b>	<b>48,002.2</b>	<b>47,206.9</b>	<b>105,435.5</b>	<b>103,683.9</b>
<b>Program Expenses</b>						
General government	3,193.8	1,552.8	-	-	3,193.8	1,552.8
Public safety	38,746.9	40,871.1	-	-	38,746.9	40,871.1
Public works	5,532.7	5,028.1	-	-	5,532.7	5,028.1
Recreation and culture	4,527.3	2,458.4	-	-	4,527.3	2,458.4
Community and economic development	1,669.8	1,538.8	-	-	1,669.8	1,538.8
Interest on long-term debt	662.3	843.1	-	-	662.3	843.1
Water and sewer	-	-	34,897.8	35,226.3	34,897.8	35,226.3
Senior housing	-	-	1,445.9	1,460.7	1,445.9	1,460.7
Sanitation	-	-	5,294.5	3,517.4	5,294.5	3,517.4
Special assessments	-	-	1,448.7	104.4	1,448.7	104.4
<b>Total program expenses</b>	<b>54,332.8</b>	<b>52,292.3</b>	<b>43,086.9</b>	<b>40,308.8</b>	<b>97,419.7</b>	<b>92,601.1</b>
<b>Change in Net Position - Before transfers</b>	<b>3,100.5</b>	<b>4,184.7</b>	<b>4,915.3</b>	<b>6,898.1</b>	<b>8,015.8</b>	<b>11,082.8</b>
<b>Transfers</b>	<b>(1,307.4)</b>	<b>10.2</b>	<b>1,307.4</b>	<b>(10.2)</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>1,793.1</b>	<b>4,194.9</b>	<b>6,222.7</b>	<b>6,887.9</b>	<b>8,015.8</b>	<b>11,082.8</b>
<b>Net Position - Beginning of year</b>	<b>55,058.3</b>	<b>50,863.4</b>	<b>128,620.8</b>	<b>121,732.9</b>	<b>183,679.1</b>	<b>172,596.3</b>
<b>Net Position - End of year</b>	<b>\$ 56,851.4</b>	<b>\$ 55,058.3</b>	<b>\$ 134,843.5</b>	<b>\$ 128,620.8</b>	<b>\$ 191,694.9</b>	<b>\$ 183,679.1</b>

Property taxes are the primary source of revenue for the governmental activities, providing approximately 69.8 percent of the total. State-shared revenue provides another 14.1 percent, user charges provide 6.3 percent, and grants and contributions provide 3.7 percent, leaving only 6.1 percent being provided by all other sources.

# Charter Township of Clinton

## Management's Discussion and Analysis (Continued)

Property taxes, the largest source of general government revenue, experienced a net increase of approximately 1.8 percent due to an increase in taxable property values of approximately 1.35 percent and increased gains on prior year tax revenue from Michigan tax tribunal appeals. This is the third consecutive year of taxable property value increases in the Township in the past eight years. The prior five years experienced reductions in taxable property values totaling 25 percent. It is expected that the upcoming year taxable values in the Township will continue to slowly increase. Even as property values grow, Proposal A will limit increases to the rate of inflation.

The Township's second largest revenue source is state-shared revenue, which is distributed to communities from sales tax receipts collected by the State of Michigan. State-shared revenue reflects an approximate \$459 thousand increase from the previous year and continues at the reduced levels of recent years. The amount received from the State during the fiscal year ended March 31, 2017 was approximately \$2.1 million (20.5 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 nonpersonnel-related expenditures at a minimum. This has permanently reset the level of services that the Township can afford to provide. Public Act 63 of 2011 introduced the Economic Vitality Incentive Program (EVIP). An eligible city, village, or township will receive an amount of statutory revenue-sharing payments for each of the three categories for which it fulfills the specific requirements. The three categories are accountability and transparency, consolidation of services, and employee compensation. For the fiscal year ended March 31, 2015, the legislature established the City, Village, and Township Revenue Sharing (CVTRS) program (a simplified version of the Economic Vitality Incentive Program (EVIP)). The CVTRS program continued for the fiscal year ended March 31, 2017. Each eligible local unit must meet all of the requirements of accountability and transparency in order to receive the full CVTRS payments. The Township's compliance with all CVTRS requirements resulted in the Township receiving the maximum amount available of \$413 thousand of statutory revenue-sharing dollars.

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

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

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

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

# Charter Township of Clinton

## Management's Discussion and Analysis (Continued)

### Fund-based Financial Statements

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

### Financial and Budgetary Highlights

**General Fund** - Overall, General Fund revenue was approximately \$499.2 thousand higher than the prior year. The overall property tax revenue, which includes payment in lieu of taxes and prior year adjustments, has increased by approximately 0.9 percent, or \$20.3 thousand, in the General Fund. The 0.9 percent increase in tax revenue is related to the 1.35 percent increase in property tax values, decreased by tax adjustment corrections to the prior year. The revenue from state revenue sharing, the General Fund's largest revenue source, decreased by 5.0 percent, or \$396.6 thousand, mainly due to an increase of constitutional state revenue-sharing payments from the State of Michigan. The \$413 thousand of statutory revenue received through the City, Village, and Township Revenue Sharing (CVTRS) program was equal to the prior year. The third largest revenue source in the General Fund is cable franchise fees received from three cable providers in the Township. Franchise fee revenue increased by 0.7 percent, or \$17.9 thousand, from the prior year. Proceeds from the sale of fixed assets have decreased by \$362 thousand from the prior year due to a decrease in the sales of forfeited properties that the Township purchases from Macomb County. Fees and permit revenue increased by 5.0 percent, or \$66 thousand, from the prior year, mainly due to rental inspection fees, which are required every two years, and a slight decrease in the building, electrical, heating, and plumbing permits, which indicates an decrease in construction of new homes and residents investing in home improvements. Interest income was slightly higher than the prior year, as interest rates remain very low. Administrative fees received from other departments are \$32.5 thousand higher than the prior year. The DPW revenue have decreased by approximately \$101.2 thousand mainly due to decreases in reimbursements from the Sanitation Fund for wood chipping. Revenue collected by the parks and recreation and seniors department remained relatively the same as the prior year.

Total General Fund expenditures have decreased by 1.0 percent, or \$142.9 thousand, below the prior year. Approximately \$1.3 million of the increase was the Township's transfer to the Special Assessment Fund for road paving and a transfer in the amount of \$431 thousand to the Capital Improvement Fund for cost sharing for road paving. After several years of postponing capital outlay expenditures, the Township began to budget for and expend funds for much-needed capital outlay. The remainder of the increase was due to increased capital outlay purchases. As with the prior year, the Township contributed double the required contribution to the Retiree Health Care Trust Fund.

# Charter Township of Clinton

## Management's Discussion and Analysis (Continued)

During the prior fiscal year ended March 31, 2016, the Township discontinued the Postemployment Benefit Fund and makes contributions and expenditures directly from the Retiree Health Care Trust Fund. Accordingly, the activity of the Postemployment Benefit Fund is no longer included in the activity of the General Fund as in prior years.

**Police Fund** - Overall, Police Fund revenue increased by approximately 1.2 percent from the prior year. In August 2006, the voters approved a 1.5 mill property tax levy for the operation and maintenance of the police department. In November 2013, the voters approved an additional 1 mill property tax levy for the operation and maintenance of the police department. These two levies, along with the ongoing 5 special assessment mills, generated \$19.4 million this year in the Police Fund, an increase of 1.1 percent above the prior year. This increase is attributable to the net of taxable property value increase offset by an adjustment for gains due to prior year tax revenue from Michigan tax tribunal appeals. The property tax revenue provided 96.2 percent of the revenue in the Police Fund. All 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 \$100 thousand. It also continues a transfer to the Police Fund from the Drug Enforcement Administration (DEA) Task Force Fund in the amount of \$125 thousand. The total of the two transfers was \$100 thousand less than the prior year.

Overall, Police Fund expenditures have increased by 3.2 percent from the prior year. This increase is attributable to salary and fringe benefit increases, the hiring of additional personnel, and slightly higher capital outlay. 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 by approximately 1.7 percent from the prior year. In January 2003, the voters approved a 1 mill property tax levy for the operations and maintenance of the fire department. In November 2013, the voters approved an additional 1.25 mill property tax levy for the operations and maintenance of the fire department. These two levies, along with the ongoing 4 special assessment mills, generated \$16.2 million this year in the Fire Fund, an increase of 1.1 percent above the prior year. This increase is attributable to the net of taxable property value increase offset by an adjustment for gains due to prior year tax revenue from Michigan tax tribunal appeals. The property tax revenue provided 98.7 percent of the revenue in the Fire Fund.

The new millage approved by voters in November 2013 also provides funding for the purchase of new vehicles and equipment for the fire department. A separate fund has been established to account for the transfer of funds and the purchase of all vehicles and equipment. However, as a result of implementing GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, the Fire Vehicle and Equipment Fund does not meet the definition of a special revenue type fund and, accordingly, has been included in the activity of the Fire Fund for the year ended March 31, 2017. 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 increased by approximately 15.8 percent from the prior year. This increase is mainly attributable to the purchase of five new fire trucks at a cost of approximately \$2 million. The remainder of the increase is attributable to additional staffing provided by the new millage and salary and fringe benefit increases.

**Court Building Debt Service Fund** - Beginning on July 1, 2006, the Township entered into an agreement with the City of Mount Clemens and Harrison Township for the management, operation, and establishment of a common fund for the 41-B District Court. Since July 1, 2006, court operations are reflected in this common fund, which is not included in these financial statements. Each local community's common fund, building equity, and related bond debt is equal to the percentage of the number of case filings generated by that local community during the applicable period. As of December 31, 2016, the Township's share is 67 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 the Charter Township of Clinton. 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 \$10,620,000, with the last payment payable on April 1, 2031.

**Water and Sewer Fund** - The Water and Sewer Fund's financial performance, which has been sound for decades, faced some financial difficulties during the 2008-2009 fiscal year due to cost overruns related to capital projects, increased rates for water purchases and sewage treatment, a decline in consumption, and not passing on the water and sewer rate increases in the prior year. Due to the financial difficulties stated, the Township instituted an additional 20 percent rate increase to its customers beginning on 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, October 2013, October 2014, October 2015, and October 2016, water and sewer rates were increased an additional 9.3 percent, 7.7 percent, 5.8 percent, 9.6 percent, 12.0 percent, and 4.25 percent, respectively, which was the result of passing along the increase received from the City of Detroit, Michigan. Additional debt issued on behalf of the Township during the last seven fiscal years was approximately \$22 million, \$8.2 million, \$1.2 million, \$2.7 million, \$10.6 million, \$17.2 million, and \$3.5 million, respectively. The Township purchases 99 percent of its water from the City of Detroit, Michigan and sewage treatment services are also provided by the City of Detroit, Michigan through an operating agreement with the County of Macomb, Michigan. 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.

# Charter Township of Clinton

## Management's Discussion and Analysis (Continued)

For the fiscal year ended March 31, 2017, water and sewer operating revenue increased by approximately 10.4 percent, which is consistent with the increase to the water and sewer rate increases. Water consumption during the year increased by 8.0 percent. Total operating expenses remained relatively the same as the prior year. Pension expense related to GASB Statement No. 68 decreased by \$1.1 million from the prior year and repair and maintenance decreased by \$577 thousand from the prior year. When factoring these two expenses out, all other operating expenses increased by 5 percent from the prior year. General and administrative costs remained relatively the same as the prior year. Salaries and fringe benefits decreased by 19.61 percent, or \$1.2 million, from the prior year mainly due to the recording of the pension expense related to GASB Statement No. 68 of \$1.1 million.

Contributions of water lines from developers are significantly less 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 \$520 and \$600 for current residents, respectively, and between \$550 and \$630 for incoming residents, respectively, during the fiscal year ended March 31, 2017.

The Senior Housing Fund received a subsidy of \$145 thousand from the General Fund in the fiscal year ended March 31, 2012 for the first time since its inception and received an additional \$75 thousand subsidy in the fiscal year ended March 31, 2013 to provide for current year expenditures not being met by current year revenue. For the fiscal year ended March 31, 2014, a subsidy was not necessary as revenue was sufficient to cover expenditures. For the fiscal year ended March 31, 2015, a subsidy of \$50 thousand from the General Fund was required. For the fiscal year ended March 31, 2016 and 2017, a subsidy was not necessary.

**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 was eliminated.

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

# **Charter Township of Clinton**

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

The Sanitation Fund's net position has decreased by \$1.7 million. The Township has extended a second contract extension with GFL Environmental Services effective April 1, 2016. The extension includes a new fully automated waste cart service program and bulk collection. The program requires residents to utilize 96-gallon trash carts for the disposal of trash. The carts were purchased by the Township using the fund balance in the Sanitation Fund at an initial cost of approximately \$1 million. The Sanitation Fund absorbed \$900 thousand in additional costs related to the program. As a result of the new program, an increase in the \$13 monthly rate to \$14.75 monthly will be charged to the customers beginning on April 1, 2017.

Two years ago, the Township withdrew from 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. This authority provided for the disposal of rubbish collected in the Township. The Township receives collection and disposal services from one provider, which has resulted in ongoing savings to the Township.

The value of the Township's equity in the Grosse Pointe Clinton Authority has decreased by \$88.4 thousand.

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

The Township's investment in capital assets devoted to its governmental activities had a \$71.5 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 \$41.7 million.

The Township's investment in capital assets devoted to its business-type activities had \$246.7 million historical cost invested in a wide range of capital assets, including land, buildings and improvements, furniture, equipment, construction in progress, and vehicles. Also included in that total is the Township's investment in infrastructure such as water mains, sewer lines, and water meters. Additions during the year totaled \$15.3 million, resulting primarily from water main and sanitary sewer replacements and improvements.

As of March 31, 2017, the Township had approximately \$210.2 million in capital assets, net of accumulated depreciation (see Note 4 to the basic financial statements for additional information).

The Township's latest government bond rating for the Township's General Obligation Bonds occurred in July 2014 when Standard & Poor's Rating Services (S&P) upgraded its municipal bond ratings from "AA" to "AA+." The Township's Water and Sewer Revenue Bond rating remains at "AA-." Included in the long-term debt for governmental activities are the 41-B District Court General Obligation Bonds, which were issued for the construction and furnishing of the new court building completed in 2008. Also included in the governmental activities are general obligation bonds for the construction and improvement of township buildings.

# **Charter Township of Clinton**

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

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. Over the past six years, the Oakland-Macomb Interceptor Drainage District (OMID) was approved loans from the Michigan State Revolving Fund (SRF) (OMID Series 2010, 2011, 2013, 2014, 2015, and 2016). As of the current fiscal year ended March 31, 2017, the Township's portion of the draws from the SRF loan was approximately \$23.4 million (see Note 6 to the basic financial statements for additional information).

### **Economic Factors and Future Budgets**

Due to the Township's cost-cutting efforts in prior years, the Township is better positioned than most communities. Regularly updating the Township's financial forecast has allowed the Township to take corrective action early on.

The housing crisis which dramatically affected the Township appears to have leveled off. While the Township will never recover the lost property tax revenue, the passage in November 2013 of the additional millages for the police and fire departments will provide relative stability. The new millages have helped put the Township in a better position to balance its budgets in future years, and also to increase staffing in the departments to provide the excellent services to which the residents have become accustomed. Unfortunately, the Township's future revenue growth is limited. The Township will only see an inflationary adjustment from property tax revenue going forward as most of the Township is developed and personal property tax for major manufacturers has been eliminated.

The 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.

### **Future Strategies Necessary**

The Township has successfully approached challenging financial times in a comprehensive, long-term manner and weathered the financial storm and achieved financial stability. The Township remains proactive and is strategically planning for the future, while continuing to prepare a three-year forecast containing all of the factors listed above. The Township has low debt levels, high bond ratings, and excellent services funded by low property taxes and water and sewer rates. The township board and administration will further develop the Township's financial strategy and continue fiscal responsibility, while maintaining as many core services as possible. The ultimate goal is to establish a budget that continues to fund vital services that provide a high quality of life and the high level of services our residents deserve and have come to expect.

# Charter Township of Clinton

## Statement of Net Position March 31, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 2)	\$ 72,975,004	\$ 26,236,426	\$ 99,211,430	\$ 193,566
Receivables:				
Property taxes receivable	2,096,068	-	2,096,068	-
Receivables from sales to customers on account	31,042	6,466,245	6,497,287	-
Other receivables	794,160	6,131	800,291	-
Due from other governmental units	6,088,478	502,837	6,591,315	-
Special assessments - Current	-	127,209	127,209	-
Due from component units	678	-	678	-
Internal balances (Note 5)	(201,380)	201,380	-	-
Inventory	-	601,944	601,944	-
Prepaid expenses and other assets	1,084,783	21,286	1,106,069	-
Restricted assets (Note 7)	-	1,960,858	1,960,858	-
Investment in joint ventures (Note 10)	652,378	147,039	799,417	-
Due from fiduciary funds	864,359	-	864,359	-
Net OPEB asset (Note 14)	8,528,117	-	8,528,117	-
Capital assets:				
Assets not subject to depreciation (Note 4)	3,916,096	25,780,478	29,696,574	-
Assets subject to depreciation - Net (Note 4)	37,820,513	142,731,132	180,551,645	745,344
Special assessment - Net of current portion	-	851,904	851,904	-
Total assets	134,650,296	205,634,869	340,285,165	938,910
<b>Deferred Outflows of Resources - Pension</b> (Notes 12 and 13)	18,186,412	1,411,703	19,598,115	-
<b>Liabilities</b>				
Accounts payable	681,945	3,732,782	4,414,727	174
Due to primary government	-	-	-	678
Accrued liabilities and other	1,104,457	208,048	1,312,505	-
Unearned revenue (Note 15)	18,116	-	18,116	-
Noncurrent liabilities (Note 6):				
Due within one year	3,931,570	4,495,250	8,426,820	-
Due in more than one year:				
Compensated absences	2,192,751	162,711	2,355,462	-
Refundable bonds and deposits	-	523,618	523,618	-
Net pension liability (Notes 12 and 13)	66,068,304	9,020,024	75,088,328	-
Long-term debt	14,627,532	53,612,197	68,239,729	-
Total liabilities	88,624,675	71,754,630	160,379,305	852
<b>Deferred Inflows of Resources - Pension</b> (Notes 12 and 13)	7,360,598	448,484	7,809,082	-
<b>Net Position</b>				
Net investment in capital assets	24,117,258	112,394,750	136,512,008	745,344
Restricted for:				
Fire department services	1,918,374	-	1,918,374	-
Police department services	13,590,230	-	13,590,230	-
Street light services	512,690	-	512,690	-
Drug forfeiture activities	119,997	-	119,997	-
Debt service	3,577,208	-	3,577,208	-
Bond covenants (Note 7)	-	699,800	699,800	-
Drainage services	263,035	-	263,035	-
DEA task force	215,647	-	215,647	-
Transportation	100,000	-	100,000	-
Capital projects	-	1,301,581	1,301,581	-
Unrestricted	12,436,996	20,447,327	32,884,323	192,714
Total net position	<u>\$ 56,851,435</u>	<u>\$ 134,843,458</u>	<u>\$ 191,694,893</u>	<u>\$ 938,058</u>

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

# Charter Township of Clinton

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,193,784	\$ 320,340	\$ 1,973,799	\$ -
Public safety	38,746,931	1,964,176	122,995	-
Public works	5,532,728	650,184	-	-
Community and economic development	1,669,818	-	-	-
Recreation and culture	4,527,251	676,627	-	-
Interest on long-term debt	662,309	-	-	-
Total governmental activities	54,332,821	3,611,327	2,096,794	-
Business-type activities:				
Water and Sewer Fund	34,897,791	41,773,425	361,966	26,573
Senior Housing Fund	1,445,962	2,106,559	-	-
Sanitation Fund	5,294,521	3,595,765	-	-
Special Assessment Fund	1,448,672	-	-	-
Total business-type activities	43,086,946	47,475,749	361,966	26,573
Total primary government	<u>\$ 97,419,767</u>	<u>\$ 51,087,076</u>	<u>\$ 2,458,760</u>	<u>\$ 26,573</u>
Component units:				
Economic Development Corporation	\$ 31	\$ -	\$ -	\$ -
Downtown Development Authority	57,835	-	-	-
Total component units	<u>\$ 57,866</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				
Total general revenue				
<b>Transfers (Note 5)</b>				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

## Statement of Activities Year Ended March 31, 2017

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (899,645)	\$ -	\$ (899,645)	\$ -
(36,659,760)	-	(36,659,760)	-
(4,878,503)	-	(4,878,503)	-
(1,669,818)	-	(1,669,818)	-
(3,850,624)	-	(3,850,624)	-
(662,309)	-	(662,309)	-
(48,620,659)	-	(48,620,659)	-
-	7,264,173	7,264,173	-
-	660,597	660,597	-
-	(1,698,756)	(1,698,756)	-
-	(1,448,672)	(1,448,672)	-
-	4,777,342	4,777,342	-
(48,620,659)	4,777,342	(43,843,317)	-
-	-	-	(31)
-	-	-	(57,835)
-	-	-	(57,866)
40,114,347	-	40,114,347	31,998
8,118,796	-	8,118,796	-
133,079	132,863	265,942	517
3,154,664	-	3,154,664	-
200,306	4,998	205,304	-
51,721,192	137,861	51,859,053	32,515
(1,307,416)	1,307,416	-	-
1,793,117	6,222,619	8,015,736	(25,351)
55,058,318	128,620,839	183,679,157	963,409
<b>\$ 56,851,435</b>	<b>\$ 134,843,458</b>	<b>\$ 191,694,893</b>	<b>\$ 938,058</b>

# Charter Township of Clinton

## Governmental Funds Balance Sheet March 31, 2017

Assets	General Fund	Fire Fund	Police Fund	Court Building	Nonmajor	Total
				Debt Service		
				Fund		
Cash and investments (Note 2)	\$ 17,977,104	\$ 20,502,703	\$ 31,536,275	\$ 750	\$ 2,958,172	\$ 72,975,004
Receivables:						
Taxes	408,593	739,630	890,763	-	57,082	2,096,068
Customers	-	-	-	-	31,042	31,042
Other	628,530	22,489	143,141	-	-	794,160
Due from other governmental units	2,084,981	-	-	3,504,600	498,897	6,088,478
Due from component units	678	-	-	-	-	678
Due from other funds (Note 5)	1,262,750	-	-	-	1,000	1,263,750
Prepaid expenses and other assets	1,012,517	5,227	67,039	-	-	1,084,783
Due from fiduciary funds	864,359	-	-	-	-	864,359
<b>Total assets</b>	<b>\$ 24,239,512</b>	<b>\$ 21,270,049</b>	<b>\$ 32,637,218</b>	<b>\$ 3,505,350</b>	<b>\$ 3,546,193</b>	<b>\$ 85,198,322</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 367,451	\$ 74,475	\$ 156,976	\$ -	\$ 83,043	\$ 681,945
Due to other funds (Note 5)	201,379	-	-	750	1,263,001	1,465,130
Accrued liabilities and other	201,998	259,079	413,936	-	2,386	877,399
Unearned revenue	7,600	-	10,516	-	-	18,116
<b>Total liabilities</b>	<b>778,428</b>	<b>333,554</b>	<b>581,428</b>	<b>750</b>	<b>1,348,430</b>	<b>3,042,590</b>
<b>Deferred Inflows of Resources</b>						
State-shared revenue (Note 15)	639,516	-	-	-	-	639,516
Long-term debt paid by other governments (Note 15)	-	-	-	3,504,600	-	3,504,600
<b>Total deferred inflows of resources</b>	<b>639,516</b>	<b>-</b>	<b>-</b>	<b>3,504,600</b>	<b>-</b>	<b>4,144,116</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>1,417,944</b>	<b>333,554</b>	<b>581,428</b>	<b>3,505,350</b>	<b>1,348,430</b>	<b>7,186,706</b>
<b>Fund Balances</b>						
Nonspendable - Prepays	1,012,517	5,227	67,039	-	-	1,084,783
Restricted:						
Drainage	-	-	-	-	263,035	263,035
Police (\$15,995,865 for 2018 operations)	-	-	31,988,751	-	215,647	32,204,398
Fire (\$13,035,256 for 2018 operations and \$1,918,374 for equipment replacement)	-	20,931,268	-	-	-	20,931,268
Debt service	-	-	-	-	72,608	72,608
Drug forfeiture	-	-	-	-	119,997	119,997
Street lighting	-	-	-	-	512,690	512,690
Transportation	-	-	-	-	100,000	100,000
Assigned:						
Subsequent year's budget	59,965	-	-	-	-	59,965
Workers' compensation claims	250,000	-	-	-	-	250,000
Capital projects	-	-	-	-	913,786	913,786
Unassigned	21,499,086	-	-	-	-	21,499,086
<b>Total fund balances</b>	<b>22,821,568</b>	<b>20,936,495</b>	<b>32,055,790</b>	<b>-</b>	<b>2,197,763</b>	<b>78,011,616</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 24,239,512</b>	<b>\$ 21,270,049</b>	<b>\$ 32,637,218</b>	<b>\$ 3,505,350</b>	<b>\$ 3,546,193</b>	<b>\$ 85,198,322</b>

# Charter Township of Clinton

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position March 31, 2017

<b>Fund Balance Reported in Governmental Funds</b>	\$ 78,011,616
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	41,736,609
Certain receivables were earned during the current fiscal year, but are not available to pay for current year expenditures	4,144,116
Investments in joint ventures are not financial resources and are not reported in the funds	652,378
Certain changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are not reported in the governmental funds	18,186,412
Net pension liability is not due and payable in the current period and is not reported in the governmental funds	(66,068,304)
Net other postemployment benefit asset is not reported in the governmental funds	8,528,117
Notes and bonds payable are not due and payable in the current period and are not reported in the funds	(17,619,351)
Accrued interest is not due and payable in the current period and is not reported in the funds	(34,536)
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	(3,132,502)
Accrued workers' compensation liability is not reported in the governmental funds	(192,522)
Certain changes in pension plan net position are reported as deferred inflows of resources in the statement of net position, but are not reported in the governmental funds	<u>(7,360,598)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 56,851,435</u></b>

# Charter Township of Clinton

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2017

	General Fund	Fire Fund	Police Fund	Court Building Debt Service	Nonmajor Funds	Total
<b>Revenue</b>						
Property taxes	\$ 2,411,920	\$ 16,172,779	\$ 19,443,532	\$ -	\$ 1,787,382	\$ 39,815,613
Licenses and permits	1,399,744	-	54,493	-	-	1,454,237
Federal sources	19,351	25,429	24,598	-	930,562	999,940
State-shared revenue and grants	8,374,213	60,366	162,914	-	27,767	8,625,260
Fines and forfeitures	-	-	-	-	200,981	200,981
Interest	67,596	56,106	90,714	-	9,533	223,949
Other revenue:						
Local donations	281,263	-	-	802,550	-	1,083,813
Other miscellaneous income	4,203,974	68,939	429,393	-	144,332	4,846,638
Total revenue	<u>16,758,061</u>	<u>16,383,619</u>	<u>20,205,644</u>	<u>802,550</u>	<u>3,100,557</u>	<u>57,250,431</u>
<b>Expenditures</b>						
Current:						
General government	5,172,696	-	-	-	108,071	5,280,767
Public safety	1,592,515	17,151,666	18,459,400	-	89,977	37,293,558
Public works	4,369,290	-	-	-	2,972,277	7,341,567
Community and economic development	739,256	-	-	-	930,562	1,669,818
Recreation and culture	2,549,207	-	-	-	-	2,549,207
Debt service:						
Principal	87,500	615,000	-	453,000	1,559,924	2,715,424
Interest on long-term debt	65,084	121,738	-	349,550	133,457	669,829
Total expenditures	<u>14,575,548</u>	<u>17,888,404</u>	<u>18,459,400</u>	<u>802,550</u>	<u>5,794,268</u>	<u>57,520,170</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	2,182,513	(1,504,785)	1,746,244	-	(2,693,711)	(269,739)
<b>Other Financing Sources (Uses)</b>						
Proceeds from sale of capital assets	145,657	37,228	24,530	-	7,925	215,340
Transfers in (Note 5)	-	-	225,000	-	1,737,884	1,962,884
Transfers out (Note 5)	(3,045,300)	-	-	-	(225,000)	(3,270,300)
Total other financing (uses) sources	<u>(2,899,643)</u>	<u>37,228</u>	<u>249,530</u>	<u>-</u>	<u>1,520,809</u>	<u>(1,092,076)</u>
<b>Net Change in Fund Balances</b>	(717,130)	(1,467,557)	1,995,774	-	(1,172,902)	(1,361,815)
<b>Fund Balances - Beginning of year</b>	<u>23,538,698</u>	<u>22,404,052</u>	<u>30,060,016</u>	<u>-</u>	<u>3,370,665</u>	<u>79,373,431</u>
<b>Fund Balances - End of year</b>	<u><u>\$ 22,821,568</u></u>	<u><u>\$ 20,936,495</u></u>	<u><u>\$ 32,055,790</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,197,763</u></u>	<u><u>\$ 78,011,616</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, 2017**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (1,361,815)</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay and donated assets	6,015,015
Depreciation expense	(2,325,421)
Net book value of assets disposed of	(15,034)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(106,157)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,715,424
Interest expense is recorded in the statement of activities when incurred; it is not reported in the governmental funds until paid	7,520
Pension liability is reported in the statement of activities at the time it is earned, but not in the governmental funds until paid	(7,621,197)
Decrease in accumulated workers' compensation accrual increases net position in the statement of activities	174,159
The net other postemployment benefit asset is increased by the difference between the actuarial required contributions for postemployment benefits compared to the actual contributions remitted	4,420,876
Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	168,262
Expense from joint ventures is not recorded in the funds	(278,515)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 1,793,117</u></b>

# Charter Township of Clinton

## Proprietary Funds Statement of Net Position March 31, 2017

	Major Funds			Nonmajor	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Proprietary Fund Special Assessment Fund	
<b>Assets</b>					
Current assets:					
Cash and investments (Note 2)	\$ 25,185,572	\$ 329,456	\$ 397,282	\$ 324,116	\$ 26,236,426
Receivables:					
Special assessments receivable -					
Current	-	-	-	127,209	127,209
Customers	5,715,286	-	750,959	-	6,466,245
Other	-	6,131	-	-	6,131
Due from other governmental units	502,837	-	-	-	502,837
Due from other funds (Note 5)	187,284	-	333,941	14,096	535,321
Inventory	601,944	-	-	-	601,944
Prepaid expenses and other assets	-	21,286	-	-	21,286
Total current assets	32,192,923	356,873	1,482,182	465,421	34,497,399
Noncurrent assets:					
Restricted assets (Note 7)	1,960,858	-	-	-	1,960,858
Investment in joint ventures (Note 10)	-	-	147,039	-	147,039
Capital assets - Net (Note 4)	159,254,880	9,149,581	107,149	-	168,511,610
Special assessment - Net of current portion	-	-	-	851,904	851,904
Total noncurrent assets	161,215,738	9,149,581	254,188	851,904	171,471,411
Total assets	193,408,661	9,506,454	1,736,370	1,317,325	205,968,810
<b>Deferred Outflows of Resources -</b>					
Deferred outflows of resources related to pension (Note 12)	1,411,703	-	-	-	1,411,703
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	3,365,276	54,516	297,246	15,744	3,732,782
Due to other funds (Note 5)	333,941	-	-	-	333,941
Accrued liabilities and other	177,722	30,326	-	-	208,048
Compensated absences - Less than one year (Note 6)	69,733	-	-	-	69,733
Current portion of long-term debt (Note 6)	3,253,962	1,171,555	-	-	4,425,517
Total current liabilities	7,200,634	1,256,397	297,246	15,744	8,770,021
Noncurrent liabilities:					
Compensated absences - Greater than one year (Note 6)	162,711	-	-	-	162,711
Net pension liability	9,020,024	-	-	-	9,020,024
Refundable bonds and deposits (Note 6)	420,207	103,411	-	-	523,618
Long-term debt (Note 6)	53,370,948	241,249	-	-	53,612,197
Total noncurrent liabilities	62,973,890	344,660	-	-	63,318,550
Total liabilities	70,174,524	1,601,057	297,246	15,744	72,088,571
<b>Deferred Inflows of Resources -</b> Deferred inflows of resources related to pension					
	448,484	-	-	-	448,484
<b>Net Position</b>					
Net investment in capital assets	104,550,824	7,736,777	107,149	-	112,394,750
Restricted:					
Capital projects	-	-	-	1,301,581	1,301,581
Bond covenants (Note 7)	699,800	-	-	-	699,800
Unrestricted	18,946,732	168,620	1,331,975	-	20,447,327
Total net position	\$ 124,197,356	\$ 7,905,397	\$ 1,439,124	\$ 1,301,581	134,843,458
<b>Net Position of Business-type Activities</b>					<b>\$ 134,843,458</b>

# Charter Township of Clinton

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended March 31, 2017

	Major Funds			Nonmajor Proprietary Fund	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	
<b>Operating Revenue</b>					
Charges for sales and services	\$ 41,007,943	\$ -	\$ 3,595,135	\$ -	\$ 44,603,078
Rent	-	2,086,039	-	-	2,086,039
Other	404,621	20,520	630	-	425,771
Total operating revenue	41,412,564	2,106,559	3,595,765	-	47,114,888
<b>Operating Expenses</b>					
Cost of water and sewage disposal	20,901,295	-	-	-	20,901,295
Operation and maintenance	1,004,528	912,023	5,172,579	1,448,672	8,537,802
General and administrative	2,006,284	-	-	-	2,006,284
Salaries and fringe benefits	4,828,665	-	-	-	4,828,665
Depreciation	4,642,818	428,010	33,487	-	5,104,315
Total operating expenses	33,383,590	1,340,033	5,206,066	1,448,672	41,378,361
<b>Operating Income (Loss)</b>	8,028,974	766,526	(1,610,301)	(1,448,672)	5,736,527
<b>Nonoperating Revenue (Expenses)</b>					
Investment income	61,323	1,242	3,753	66,545	132,863
Bond issuance costs	59,364	-	-	-	59,364
Interest expense	(1,573,565)	(105,929)	-	-	(1,679,494)
Other nonoperating expense	-	-	(88,455)	-	(88,455)
Gain on sale of assets	4,998	-	-	-	4,998
Debt, capital charges, and tap fees	360,861	-	-	-	360,861
Federal interest subsidy	361,966	-	-	-	361,966
Total nonoperating (expenses) revenue	(725,053)	(104,687)	(84,702)	66,545	(847,897)
<b>Income (Loss) - Before contributions</b>	7,303,921	661,839	(1,695,003)	(1,382,127)	4,888,630
<b>Capital Contributions - Lines donated by developers</b>	26,573	-	-	-	26,573
<b>Transfers In from Other Funds (Note 5)</b>	-	-	-	1,307,416	1,307,416
<b>Change in Net Position</b>	7,330,494	661,839	(1,695,003)	(74,711)	6,222,619
<b>Net Position - Beginning of year</b>	116,866,862	7,243,558	3,134,127	1,376,292	128,620,839
<b>Net Position - End of year</b>	<b>\$ 124,197,356</b>	<b>\$ 7,905,397</b>	<b>\$ 1,439,124</b>	<b>\$ 1,301,581</b>	<b>\$ 134,843,458</b>

# Charter Township of Clinton

## Proprietary Funds Statement of Cash Flows Year Ended March 31, 2017

	Major Funds			Nonmajor	Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Proprietary Fund Special Assessment Fund	
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 41,150,311	\$ 2,110,496	\$ 3,548,665	\$ 210,382	\$ 47,019,854
Payments to suppliers	(24,083,844)	(904,583)	(4,863,051)	(1,514,566)	(31,366,044)
Payments to employees	(4,451,351)	-	(234,971)	-	(4,686,322)
Internal activity - Payments to other funds	-	-	-	(43,051)	(43,051)
Net cash provided by (used in) operating activities	12,615,116	1,205,913	(1,549,357)	(1,347,235)	10,924,437
<b>Cash Flows from Noncapital Financing Activities</b>					
Operating grants and subsidies	100,000	-	-	-	100,000
Transfers from other funds	-	-	-	1,307,416	1,307,416
Loans made to other funds	(1,763,707)	-	-	-	(1,763,707)
Net cash (used in) provided by noncapital financing activities	(1,663,707)	-	-	1,307,416	(356,291)
<b>Cash Flows from Capital and Related Financing Activities</b>					
Proceeds from sales of capital assets	4,998	-	-	-	4,998
Purchase of capital assets	(7,664,414)	-	-	-	(7,664,414)
Proceeds from (principal, issuance costs, and interest paid on) capital debt	(1,157,316)	(1,147,433)	-	-	(2,304,749)
Collection of debt, capital charges, and tap fees	360,861	-	-	-	360,861
Net cash used in capital and related financing activities	(8,455,871)	(1,147,433)	-	-	(9,603,304)
<b>Cash Flows from Investing Activities - Interest received on investments</b>	61,323	1,242	3,753	66,545	132,863
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	2,556,861	59,722	(1,545,604)	26,726	1,097,705
<b>Cash and Cash Equivalents - Beginning of year</b>	22,628,711	269,734	1,942,886	297,390	25,138,721
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 25,185,572</u>	<u>\$ 329,456</u>	<u>\$ 397,282</u>	<u>\$ 324,116</u>	<u>\$ 26,236,426</u>
<b>Statement of Net Position Classification of Cash and Cash Equivalents - Cash and investments per statement of net position</b>	<u>\$ 25,185,572</u>	<u>\$ 329,456</u>	<u>\$ 397,282</u>	<u>\$ 324,116</u>	<u>\$ 26,236,426</u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>					
Operating income	\$ 8,028,974	\$ 766,526	\$ (1,610,301)	\$ (1,448,672)	\$ 5,736,527
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation	4,642,818	428,010	33,487	-	5,104,315
Changes in assets and liabilities:					
Receivables	(178,432)	3,937	(47,100)	210,382	(11,213)
Due from others	(101,325)	-	-	-	(101,325)
Inventories	(169,502)	-	-	-	(169,502)
Prepaid and other assets	7,754	5,214	-	-	12,968
Accounts payable	(38,472)	2,226	74,557	(65,894)	(27,583)
Due to others	17,504	-	-	(43,051)	(25,547)
Accrued and other liabilities	405,797	-	-	-	405,797
Net cash provided by (used in) operating activities	<u>\$ 12,615,116</u>	<u>\$ 1,205,913</u>	<u>\$ (1,549,357)</u>	<u>\$ (1,347,235)</u>	<u>\$ 10,924,437</u>
<b>Significant Noncash Investing and Financing Transactions</b>					
Contribution of capital assets from developers and other funds	\$ 26,573	\$ -	\$ -	\$ -	\$ 26,573
Capital asset additions related to county interceptor projects	1,774,103	-	-	-	1,774,103

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

# Charter Township of Clinton

## Fiduciary Funds Statement of Net Position March 31, 2017

	Pension and Other Employee Benefit Trust Funds	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,981,530	\$ 1,181,381
Investments:		
Bank investment pools and money market funds	4,382,338	-
U.S. Treasury securities	3,215,719	-
Asset-backed securities	6,740,559	-
Municipal bonds	110,344	-
Corporate bonds	5,314,885	-
Foreign bonds	883,237	-
Domestic stock	30,304,727	-
Foreign stock	4,042,270	-
Mutual funds	59,390,592	-
Real estate investment trusts	6,496,734	-
Limited partnerships	25,620,115	-
Hedge funds	7,769,393	-
Securities lending - Mutual funds	1,419,570	-
Receivables	12,078	-
Prepaid expenses and other assets	870,018	-
	158,554,109	<u>\$ 1,181,381</u>
<b>Liabilities</b>		
Accounts payable	163,326	\$ 174,002
Due to other governmental units	-	179,842
Due to other funds	864,359	-
Refundable deposits, bonds, etc.	-	827,537
Obligations under securities lending agreements	1,419,570	-
	2,447,255	<u>\$ 1,181,381</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<u>\$ 156,106,854</u>	

# Charter Township of Clinton

## Fiduciary Funds Statement of Changes in Net Position Year Ended March 31, 2017

	Pension and Other Employee Benefit Trust Funds
<b>Additions</b>	
Investment income (loss):	
Interest and dividends	\$ 2,776,770
Net increase in fair value of investments	10,144,283
Investment-related expenses	<u>(708,088)</u>
Net investment income	12,212,965
Securities lending income - Interest and fees	24,683
Contributions:	
Employer	12,194,448
Employee	<u>1,269,753</u>
Total contributions	<u>13,464,201</u>
Total additions	25,701,849
<b>Deductions</b>	
Benefit payments and annuity withdrawals	13,164,811
Administrative expenses	<u>226,291</u>
Total deductions	<u>13,391,102</u>
<b>Net Increase in Net Position Held in Trust</b>	12,310,747
<b>Net Position Held in Trust for Pension and Other Employee Benefits -     Beginning of year</b>	<u>143,796,107</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits -     End of year</b>	<u><u>\$ 156,106,854</u></u>

# Charter Township of Clinton

## Component Units Statement of Net Position March 31, 2017

	Economic Development Corporation	Downtown Development Authority	Total
<b>Assets</b>			
Cash and investments (Note 2)	\$ 99,071	\$ 94,495	\$ 193,566
Capital assets being depreciated - Net (Note 4)	-	745,344	745,344
Total assets	99,071	839,839	938,910
<b>Liabilities</b>			
Accounts payable	-	174	174
Due to primary government	-	678	678
Total liabilities	-	852	852
<b>Net Position</b>			
Net investment in capital assets	-	745,344	745,344
Unrestricted	99,071	93,643	192,714
Total net position	<u>\$ 99,071</u>	<u>\$ 838,987</u>	<u>\$ 938,058</u>

# Charter Township of Clinton

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Economic Development Corporation - Public works	\$ 31	\$ -	\$ -	\$ -
Downtown Development Authority - Public works	57,835	-	-	-
Total component units	<b>\$ 57,866</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
General revenue:				
Property taxes				
Investment income				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

**Component Units  
Statement of Activities  
Year Ended March 31, 2017**

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Economic Development Corporation</u>	<u>Downtown Development Authority</u>	<u>Total</u>
\$ (31)	\$ -	\$ (31)
<u>-</u>	<u>(57,835)</u>	<u>(57,835)</u>
(31)	(57,835)	(57,866)
-	31,998	31,998
<u>517</u>	<u>-</u>	<u>517</u>
<u>517</u>	<u>31,998</u>	<u>32,515</u>
486	(25,837)	(25,351)
<u>98,585</u>	<u>864,824</u>	<u>963,409</u>
<b><u>\$ 99,071</u></b>	<b><u>\$ 838,987</u></b>	<b><u>\$ 938,058</u></b>

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### 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 by Governmental Accounting Standards Board Statement No. 61, for determining the various governmental organizations to be included in the reporting entity. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the Township's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township, although the Township has the ability to impose its will over the entities.

#### **Blended Component Unit**

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

#### **Discretely Presented Component Units**

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

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2017

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

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

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

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

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

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

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### 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.

During the year, the Township adopted GASB Statement No. 72, *Fair Value Measurement and Application*. As a result, the notes to the financial statements now include enhanced disclosures about fair value measurement, the level of fair value hierarchy, and valuation techniques.

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.

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

- The 41-B Court Building Debt Service Fund accounts for all of the activities associated with monitoring and paying debt incurred in the construction of the new 41-B District Court Building.

The Township reports the following major proprietary funds:

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

Additionally, the Township reports the following fund types:

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

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

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

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

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2017

### **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 2016 taxable valuation (real and personal property) of the Township totaled \$2,662,813,830, on which ad valorem taxes levied consisted of .8220 mills for the Township's operating purposes, 2.2215 mills for fire operating purposes, 2.4925 mills for police operating purposes, and .4800 mills for the retirement of police building debt. The ad valorem taxes generated \$2,188,833 for general operations, \$5,915,440 for fire operations, \$6,637,063 for police operations, and \$1,278,151 for police building debt retirement. The 2016 real property taxable valuation of the Township totaled \$2,518,543,830, on which special assessments levied consisted of 5 mills for police operations and 4 mills for fire operations. The special assessment levies generated \$12,592,719 for police operations and \$10,074,175 for fire operations. The industrial facilities tax roll generated \$8,018 for general operations, \$44,165 for police operations, \$37,551 for fire operations, and \$4,682 for police building debt retirement. These amounts are recorded in their respective funds as tax revenue.

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

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

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2017

### **Note 1 - 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 represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township records deferred outflows of resources related to activity associated with the recording of the Township's net pension liability.

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

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

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

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

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

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, \$285,371 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 the governmental funds as it comes due for payment (when the time is taken off or employees terminate).

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

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

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

**Pensions** - The Township offers a defined benefit pension plan to certain employees under two separate plans. The Township records a net pension liability for the difference between the total pension liability calculated by the plans' actuaries and the pension plans' fiduciary net position. For the purposes of measuring the net pension liability, the deferred outflows of resources and the deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position has been determined on the same basis as they are reported by the pension plans. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Postemployment Benefit Costs** - The Township offers retiree healthcare benefits to certain 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, 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

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

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

- 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.

**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, 2016		\$ (5,117,000)
Fiscal year 2017 building department activity:		
Permit revenue	\$ 1,400,000	
Expenditures	<u>(1,578,000)</u>	
Excess of expenditures over revenue		<u>(178,000)</u>
Cumulative expenditures over revenue - March 31, 2017		<u>\$ (5,295,000)</u>

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2017

### 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 12 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 Fire and Police Pension System has a separate investment policy for the pension fund.

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, 2017, only United States currency was received as collateral.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 2 - Deposits and Investments (Continued)

The Fire and Police Pension System did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or the custodial bank. The Fire and Police Pension System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of March 31, 2017 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, 2017, the Fire and Police Pension System had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the Fire and Police Pension System as of March 31, 2017 were \$1,419,570.

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 approximately \$104 million of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized as they exceeded the limits of FDIC insurance or were not held with a financial institution participating in the temporary liquidity guarantee program. The Township believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Custodial Credit Risk - Pension and Retiree Health Care Funds** - The Township's Pension System does not have an investment policy for custodial credit risk. At year end, the Pension System had no bank deposits (certificates of deposit and 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.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 2 - Deposits and Investments (Continued)

**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	Maturities			Greater Than 10 Years
		Less Than 1 Year	1 to 5 Years	6 to 10 Years	
Bank investment pool	\$ 1,253,524	\$ 1,253,524	\$ -	\$ -	\$ -
U.S. Treasury securities	3,215,719	-	652,878	1,242,669	1,320,172
Asset-backed securities	6,740,560	160,007	877,849	345,178	5,357,526
Municipal bonds	110,344	95,082	-	15,263	-
Corporate bonds	5,314,885	298,997	2,575,797	1,086,240	1,353,851
Foreign bonds	883,237	74,978	559,765	84,796	163,698

**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	\$ 1,253,524	NR	Not rated
U.S. Treasury securities	3,215,719	NR	Not rated
Asset-backed securities	6,740,560	NR - AAA	Standard & Poor's
Municipal bonds	110,344	NR - BBB+	Standard & Poor's
Corporate bonds	5,314,885	NR - AAA	Standard & Poor's
Foreign bonds	883,237	NR - A	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, 2017

### Note 2 - Deposits and Investments (Continued)

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

<u>Security</u>	<u>Fair Value</u>	<u>Foreign Currency</u>
Foreign fixed-income mutual fund	\$ 392,650	Australian dollar
Foreign fixed-income mutual fund	212,532	Brazilian real
Foreign fixed-income mutual fund	640,467	British pound
Foreign fixed-income mutual fund	211,711	Euro
Foreign fixed-income mutual fund	169,451	Malaysian ringgit
Foreign fixed-income mutual fund	566,204	Mexican peso
Foreign fixed-income mutual fund	11,898	New Zealand dollar
Foreign fixed-income mutual fund	210,070	Polish zloty
Foreign fixed-income mutual fund	213,763	South African rand
Foreign fixed-income mutual fund	203,916	Japanese yen
Foreign fixed-income mutual fund	387,727	Swedish krona
Foreign fixed-income mutual fund	310,181	Norwegian krone

### Note 3 - Fair Value Measurement

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 3 - Fair Value Measurement (Continued)

The Township has the following recurring fair value measurements as of March 31, 2017:

#### Assets Measured at Fair Value on a Recurring Basis

	Balance at March 31, 2017	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
Debt securities:				
U.S. Treasury securities	\$ 3,215,719	\$ -	\$ 3,215,719	\$ -
Asset-backed securities	6,740,559	-	6,740,559	-
Corporate bonds	5,314,885	-	5,314,885	-
Foreign bonds	883,237	-	883,237	-
Municipal bonds	110,344	-	110,344	-
Total debt securities	16,264,744	-	16,264,744	-
Equity securities:				
Mutual funds	60,810,162	60,810,162	-	-
Domestic stock	30,304,727	30,304,727	-	-
Foreign stock	4,042,270	4,042,270	-	-
Total equity securities	95,157,159	95,157,159	-	-
Alternative investments:				
Limited partnerships	21,431,334	-	-	21,431,334
Hedge funds	1,763,570	-	-	1,763,570
Total alternative investments	23,194,904	-	-	23,194,904
Total investments by fair value level	134,616,807	\$ 95,157,159	\$ 16,264,744	\$ 23,194,904
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Limited partnerships	4,188,781			
Real estate investment trusts	6,496,734			
Hedge funds	6,005,823			
Total investments measured at the NAV	16,691,338			
Total investments measured at fair value	\$ 151,308,145			

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

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 3 - Fair Value Measurement (Continued)

The fair value of the Township's debt securities at March 31, 2017 was determined primarily based on Level 2 inputs. The Township estimates the fair value of these investments using inputs such as quoted prices for identical securities in markets that are not active or interest rates and yield curves that are observable at commonly quoted intervals.

The fair value of alternative investments at March 31, 2017 was determined primarily based on Level 3 inputs. The Township estimates the fair value of these investments using audited financial statements of the investments.

#### Investments in Entities that Calculate Net Asset Value per Share

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

At March 31, 2017, the fair value, unfunded commitments, and redemption rules of those investments is as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Limited partnerships	\$ 4,188,781	\$ 1,219,446	Quarterly	90 - 95 days
Real estate investment trusts	6,496,734	-	Quarterly	45 days
Hedge funds	<u>6,005,823</u>	<u>-</u>	Quarterly	90 days
Total investments measured at NAV	<u>\$ 16,691,338</u>	<u>\$ 1,219,446</u>		

The limited partnership class includes two funds that invest in a broad range of investment vehicles. One fund invests primarily in public and private noninvestment grade and nonrated debt securities. These securities and other instruments acquired by the fund may include, but are not limited to, all types of debt obligations, including bank debt, public and private equity, options, swaps, and real estate-related instruments. The second fund invests in global distressed corporate securities, activist equities, value equities, post-reorganizational equities, municipal bonds, high-yield bonds, leveraged loans, unsecured debt, collateralized debt obligations, mortgage-backed securities, commercial mortgage-backed securities, direct lending, and sovereign debt.

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

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 3 - Fair Value Measurement (Continued)

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

#### Disclosures Regarding Redemption Limitations and Other Restriction

Approximately \$2,123,739 (51 percent) of the value of the investments in the limited partnership class above cannot be redeemed because the investments include restrictions that do not allow for redemption in the first 12 months after acquisition. The remaining restriction period for these investments was two months at March 31, 2017.

### Note 4 - Capital Assets

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

	Balance April 1, 2016	Additions	Disposals	Balance March 31, 2017
<b>Governmental Activities</b>				
Capital assets not being depreciated - Land	\$ 3,691,633	\$ 224,463	\$ -	\$ 3,916,096
Capital assets being depreciated:				
Buildings and building improvements	43,900,879	242,201	(75,000)	44,068,080
Operating equipment	6,148,892	340,442	(292,923)	6,196,411
Vehicles	6,144,182	2,389,364	(1,356,908)	7,176,638
Office furniture and equipment	5,442,159	9,446	(235,211)	5,216,394
Land improvements	3,338,462	2,377,849	-	5,716,311
Infrastructure assets	2,722,851	431,250	-	3,154,101
Subtotal	67,697,425	5,790,552	(1,960,042)	71,527,935
Accumulated depreciation:				
Buildings and building improvements	16,472,136	1,149,683	(75,000)	17,546,819
Operating equipment	4,685,307	298,771	(292,923)	4,691,155
Vehicles	4,984,307	451,634	(1,341,874)	4,094,067
Office furniture and equipment	4,637,846	250,334	(235,211)	4,652,969
Land improvements	2,085,482	120,542	-	2,206,024
Infrastructure assets	461,931	54,457	-	516,388
Subtotal	33,327,009	2,325,421	(1,945,008)	33,707,422
Net capital assets being depreciated	34,370,416	3,465,131	(15,034)	37,820,513
Net capital assets	<u>\$ 38,062,049</u>	<u>\$ 3,689,594</u>	<u>\$ (15,034)</u>	<u>\$ 41,736,609</u>

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 4 - Capital Assets (Continued)

	Balance April 1, 2016	Reclassifications	Additions	Disposals and Adjustments	Balance March 31, 2017
<b>Business-type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
Construction in progress	24,611,776	(7,310,833)	7,479,535	-	24,780,478
Subtotal	25,611,776	(7,310,833)	7,479,535	-	25,780,478
Capital assets being depreciated:					
Structures, mains, and laterals	210,547,860	7,288,391	96,466	-	217,932,717
Meters	4,914,526	-	-	-	4,914,526
Buildings and improvements	15,926,975	-	-	-	15,926,975
Equipment	3,924,825	22,442	142,142	-	4,089,409
Vehicles	2,573,081	-	271,456	(43,988)	2,800,549
Furniture and fixtures	701,067	-	6,380	(30,996)	676,451
Land improvements	349,173	-	-	-	349,173
Subtotal	238,937,507	7,310,833	516,444	(74,984)	246,689,800
Accumulated depreciation:					
Structures, mains, and laterals	81,991,533	-	3,990,569	-	85,982,102
Meters	4,004,819	-	103,700	-	4,108,519
Buildings and improvements	7,435,003	-	404,732	-	7,839,735
Equipment	2,403,657	-	381,944	-	2,785,601
Vehicles	2,199,730	-	171,265	(43,988)	2,327,007
Furniture and fixtures	631,039	-	28,828	(30,996)	628,871
Land improvements	263,555	-	23,278	-	286,833
Subtotal	98,929,336	-	5,104,316	(74,984)	103,958,668
Net capital assets being depreciated	140,008,171	7,310,833	(4,587,872)	-	142,731,132
Net capital assets	\$ 165,619,947	\$ -	\$ 2,891,663	\$ -	\$ 168,511,610

	Balance April 1, 2016	Additions	Disposals and Adjustments	Balance March 31, 2017
<b>Component Units</b>				
Capital assets being depreciated - Land improvements	\$ 883,772	\$ -	\$ -	\$ 883,772
Accumulated depreciation - Land improvements	113,652	24,776	-	138,428
Net capital assets being depreciated	\$ 770,120	\$ (24,776)	\$ -	\$ 745,344

Construction in progress includes:

- \$14,019,767 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.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 4 - Capital Assets (Continued)

- \$867,177 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.
- \$9,893,534 of various water and sewer lining replacement projects that are ongoing.

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

Governmental activities:

General government	\$ 347,618
Public safety	1,168,477
Public works	183,813
Recreation and senior activities	314,792
Infrastructure assets constructed by special assessment fund	<u>310,721</u>
Total governmental activities	<u>\$ 2,325,421</u>

Business-type activities:

Water and sewer	\$ 4,642,818
Sanitation	33,487
Senior housing	<u>428,010</u>
Total business-type activities	<u>\$ 5,104,315</u>

### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Due to/from Other Funds</b>		
General Fund	Other nonmajor funds	\$ 1,262,750
Sanitation Fund	Water and Sewer Fund	333,941
Water and Sewer Fund	General Fund	187,284
Other nonmajor funds	General Fund	14,096
	Other nonmajor funds	<u>1,000</u>
	Total other nonmajor funds	<u>15,096</u>
	Total	<u>\$ 1,799,071</u>

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Receivable Fund	Payable Fund	Amount
<b>Due to/from Primary Government and Component Units</b>		
General Fund	Downtown Development Authority	\$ <u>678</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 (1)	\$ 225,000
Other nonmajor funds	General Fund (2)	<u>3,045,300</u>
	Total	<u>\$ 3,270,300</u>

(1) Allowable transfer of forfeiture funds

(2) Includes a transfer from the General Fund to the Special Assessment Fund of \$1,307,416 to provide resources to pay current costs of private road construction until special assessment receivables are collected. There is no intention to repay the General Fund; funding will be utilized for other projects in the future.

The remaining balance of these transfers are of discretionary funds to be used for the benefit of the community.

### Note 6 - Long-term Debt

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

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

Installment purchase agreements are also general obligations of the government.

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

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 6 - Long-term Debt (Continued)

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

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

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, 2017. As a result, the payment schedule for the balance of the 20-year repayment period will increase as the funds are advanced.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
Building Authority Refunding Bonds - Series 1998:*						
Amount of issue - \$10,390,000						
Maturing through 2017	5.50%	\$315,945	\$ 590,120	\$ (274,175)	\$ 315,945	\$ 315,945
Police Building Bonds - Series 1998:						
Amount of issue - \$8,000,000						
Maturing through 2018	4.00% - 4.75%	\$725,000	1,375,000	(650,000)	725,000	725,000
Police Building Bonds - Series 1999:						
Amount of issue - \$5,900,000						
Maturing through 2018	4.00%	\$600,000	1,150,000	(550,000)	600,000	600,000
Fire Building Refunding Bonds - Series 2011:						
Amount of issue - \$6,355,000		\$630,000 -				
Maturing through 2022	2.50% - 3.50%	\$710,000	3,960,000	(615,000)	3,345,000	630,000
41-B District Court Refunding Bonds - Series 2015:						
Amount of issue - \$11,447,000		\$550,000 -				
Maturing through 2031	3.15%	\$926,000	11,073,000	(453,000)	10,620,000	550,000
Capital Improvement Bonds - Series 2010:						
Amount of issue \$2,187,500		\$87,500 -				
Maturing through 2032	2.00% - 4.00%	\$157,500	1,863,750	(87,500)	1,776,250	87,500
MDOT Infrastructure Loan:						
Loan amount - \$477,720		\$49,445 -				
Maturing through 2019	1.00%	\$49,936	148,337	(48,957)	99,380	49,445
MDOT Infrastructure Loan:						
Loan amount - \$334,405		\$33,929 -				
Maturing through 2021	1.00%	\$34,962	171,363	(33,589)	137,774	33,929
Total bond/loan obligations			20,331,570	(2,712,221)	17,619,349	2,991,819
Other long-term obligations -						
Compensated absences			3,300,766	(168,262)	3,132,504	939,751
Total governmental activities			\$ 23,632,336	\$ (2,880,483)	\$ 20,751,853	\$ 3,931,570

\* 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, 2017

### Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	(Reductions) Additions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>						
Building Authority Refunding Bonds - Series 1998:*						
Amount of issue - \$10,390,000						
Maturing through 2017	5.50%	\$1,159,055	\$ 2,164,879	\$ (1,005,824)	\$ 1,159,055	\$ 1,159,055
Capital Improvement Bonds - Series 2010:						
Amount of issue - \$312,500		\$12,500 -				
Maturing through 2032	2.00% - 4.00%	\$22,500	266,250	(12,500)	253,750	12,500
Revenue bonds:						
Revenue Refunding Bonds - Series 2004:						
Amount of issue - \$2,570,000						
Maturing through 2016	3.30% - 3.40%	\$335,000	335,000	(335,000)	-	-
Revenue Bonds - CWRP Project 5191-01:						
Amount of issue - \$1,405,000		\$75,000 -				
Maturing through 2024	2.130%	\$85,000	635,000	(75,000)	560,000	75,000
Revenue Bonds - SQWIF Project 3001-01:						
Amount of issue - \$270,000						
Maturing through 2024	1.625%	\$10,000	88,471	(10,000)	78,471	10,000
Revenue Bonds - Series 2006:						
Amount of issue - \$5,000,000						
Maturing through 2026	3.875% - 4.30%	\$300,000	300,000	(300,000)	-	-
Revenue Bonds - SRF Project 5525-01:						
Amount of issue - \$5,630,000		\$230,000 -				
Maturing through 2034	2.50%	\$335,000	5,025,650	(228,500)	4,797,150	230,000
Revenue Bonds - SRF Project 5525-02:						
Amount of issue - \$5,035,000		\$200,000 -				
Maturing through 2035	2.50%	\$315,000	4,117,899	(195,000)	3,922,899	200,000
Revenue Refunding Bonds - Series 2015:						
Amount of issue - \$7,528,000		\$869,000 -				
Maturing through 2026	2.07%	\$1,036,000	7,528,000	(530,000)	6,998,000	869,000
Revenue Bonds - SRF Project 5525-03:						
Amount of issue - \$2,575,000		\$100,000-				
Maturing through 2036	2.50%	160,000	-	1,746,694	1,746,694	100,000

\* 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, 2017

### Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	(Reductions) Additions	Ending Balance	Due Within One Year
<b>Business-type Activities (Continued)</b>						
County drain contract obligations:						
North Gratiot Interceptor Drainage District - Series 2010:						
Amount of issue - \$172,370 Maturing through 2035	3.40% - 6.35%	\$5,791 - \$9,906	\$ 142,144	\$ (5,639)	\$ 136,505	\$ 5,791
North Gratiot Interceptor Drainage District - Series 2015:						
Amount of issue - \$1,409,785 Maturing through 2033	3.75% - 5.00%	\$58,499 - \$93,355	1,409,785	(58,084)	1,351,701	58,499
2010A OMID Drainage District (SRF):						
Amount of issue - \$2,932,468 Maturing through 2031	2.50%	\$132,700 - \$183,869	2,330,705	(129,889)	2,200,816	132,700
2010B OMID Drainage District:						
Amount of issue - \$753,472 Maturing through 2030	3.45% - 5.90%	\$31,488 - \$58,481	596,593	(30,364)	566,229	31,488
2011 OMID Drainage District:						
Amount of issue - \$3,524,966 Maturing through 2033	2.50%	\$148,427 - \$220,224	3,245,373	(144,975)	3,100,398	148,427
2010A MID Drainage District:						
Amount of issue - \$18,226,352 Maturing through 2035	1.25% - 5.38%	\$624,255 - \$1,073,147	15,313,795	(610,913)	14,702,882	624,255
2011 MID Drainage District (Clintondale):						
Amount of issue - \$6,725,673 Maturing through 2031	5.00%	\$262,039 - \$545,915	5,797,617	(240,202)	5,557,415	262,039
2013A OMID Drainage District:						
Amount of issue - \$7,691,967 Maturing through 2034	2.00%	\$329,453 - \$461,117	7,049,270	3,260	7,052,530	329,453
2014A OMID Drainage District:						
Amount of issue - \$1,124,653 Maturing through 2034	2.00% - 3.125%	\$45,079 - \$73,837	1,081,128	(44,302)	1,036,826	45,079
2015 OMID Drainage District:						
Amount of issue - \$2,249,648 Maturing through 2036	2.50%	\$90,092 - \$141,762	1,333,692	828,514	2,162,206	90,092
2015A MID Drainage District:						
Amount of issue - \$805,071 Maturing through 2035	2.50%	\$32,860 - \$50,385	51,885	500,164	552,049	31,765
Total bond obligations			58,813,136	(877,560)	57,935,576	4,415,143
Other long-term obligations:						
Compensated absences			209,944	22,500	232,444	69,733
Bond issuance premium			317,173	(21,145)	296,028	21,145
Bond issuance discount			(204,660)	10,771	(193,889)	(10,771)
Total business-type activities			59,135,593	(865,434)	58,270,159	4,495,250
Total primary government			\$ 82,767,929	\$ (3,745,917)	\$ 79,022,012	\$ 8,426,820

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 6 - Long-term Debt (Continued)

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
2018	\$ 2,991,819	\$ 574,929	\$ 3,566,748	\$ 4,415,143	\$ 1,726,587	\$ 6,141,730
2019	1,372,083	465,023	1,837,106	3,335,156	1,580,260	4,915,416
2020	1,442,861	424,839	1,867,700	3,450,891	1,492,688	4,943,579
2021	1,452,212	381,343	1,833,555	3,534,668	1,400,799	4,935,467
2022	1,445,000	335,612	1,780,612	3,619,734	1,305,310	4,925,044
2023-2027	4,497,500	1,162,892	5,660,392	17,099,112	5,053,339	22,152,451
2028-2032	4,417,874	367,897	4,785,771	15,746,533	2,587,191	18,333,724
2033-2037	-	-	-	6,734,339	391,209	7,125,548
Total	<u>\$ 17,619,349</u>	<u>\$ 3,712,535</u>	<u>\$ 21,331,884</u>	<u>\$ 57,935,576</u>	<u>\$ 15,537,383</u>	<u>\$ 73,472,959</u>

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 remaining outstanding from the SRF was \$3,100,398.

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 remaining outstanding from the SRF was \$7,052,530, which includes draws of \$326,219 during the current year.

During the year ended March 31, 2015, the Township was approved for approximately \$5.6 million of additional loans from the Michigan State Revolving Fund (SRF). As of year end, the Township's portion of the draws remaining outstanding from the SRF was \$4,797,150.

During the year ended March 31, 2016, the Oakland-Macomb Interceptor Drainage District (OMID) was approved for approximately \$8.5 million of loans from the Michigan State Revolving Fund (SRF) (OMID Series 2015). As of year end, the Township's portion of the draws remaining outstanding from the SRF was \$2,162,206, which includes draws of \$915,556 during the current year.

During the year ended March 31, 2016, the Macomb Interceptor Drainage District (MID) was approved for approximately \$3.7 million of loans from the Michigan State Revolving Fund (SRF) (MID Series 2015A). As of year end, the Township's portion of the draws remaining outstanding from the SRF was \$552,049, which includes draws of \$531,929 during the current year.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 6 - Long-term Debt (Continued)

During the year ended March 31, 2016, the Township was approved for approximately \$5.0 million of additional loans from the Michigan State Revolving Fund (SRF). As of year end, the Township's portion of the draws remaining outstanding from the SRF was \$3,922,899.

During the year ended March 31, 2017, the Township was approved for approximately \$2.6 million of additional loans from the Michigan State Revolving Fund (SRF). As of year end, the Township's portion of the draws remaining outstanding from the SRF was \$1,746,694, which is comprised entirely of current year draws.

#### **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 \$24,079,203. 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 \$11,846,736, compared to annual debt requirements of \$1,938,877.

#### **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, 2017, \$1,575,000 of Building Authority Bonds and \$4,125,000 of Fire Revenue Bonds outstanding are considered defeased.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 7 - Restricted Assets

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

Unspent bond proceeds are as follows:

Due from Oakland County*	\$ 1,017,070
Due from Macomb County**	943,788

\* 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.

### Note 8 - 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, 2017

### Note 8 - Risk Management (Continued)

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

	Workers' Compensation		Medical Benefits	
	2017	2016	2017	2016
Estimated liability (asset) - Beginning of year	\$ 369,884	\$ 940,240	\$ 257,379	\$ (246,044)
Estimated claims incurred, including changes in estimates	39,978	(459,859)	6,763,450	6,667,292
Claim payments	<u>(217,341)</u>	<u>(110,497)</u>	<u>(7,387,386)</u>	<u>(6,163,869)</u>
Estimated liability (asset) - End of year	<u>\$ 192,521</u>	<u>\$ 369,884</u>	<u>\$ (366,557)</u>	<u>\$ 257,379</u>

### Note 9 - Commitments and Contingencies

**Environmental Contingency** - The Township is required to undertake measures to upgrade sanitary sewers in order to be in compliance with the Clean Water Act and is under an Administrative Consent Order (ACO) with the State of Michigan Department of Environmental Quality (MDEQ) to make these improvements. The Township has made numerous corrections and is entering into the final phases of this ACO. At this time, the Township and Macomb County have created a wet weather operational plan and the Township is metering the existing improvements. The Township has spent approximately \$23.5 million in construction projects, but until we have final approval from both Macomb County and MDEQ, we cannot estimate the remaining cost.

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

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 9 - Commitments and Contingencies (Continued)

**Construction Commitments** - The Charter Township of Clinton has active construction projects at year end. As of March 31, 2017, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Retainages Payable</u>	<u>Remaining Commitment</u>
District E Phase One Beaconsfield/Little Mack	\$ 4,657,346	\$ 69,619	\$ 40,951
Sanitary Sewer Cleaning Zone 8	382,753	20,145	58,852
District D Manhole Repair	336,473	7,500	15,357
District E Phase Two	2,056,281	108,225	258,060
Garfield/College Pump Station	244,842	27,205	169,308
Snover Road PRV	37,116	4,124	557,975
Sanitary Sewer Repairs Zone 6	618,403	12,516	10,440
Sanitary Sewer Lining Zone 6	373,476	3,641	5,175
Shook Road Building Roof Maintenance	270,725	-	6,984
Phone System Upgrade	17,158	-	25,737
Civic Center Parking Lot	1,754,808	35,696	11,324

### Note 10 - 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

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## Notes to Financial Statements March 31, 2017

### **Note 10 - Joint Ventures (Continued)**

The Township is also a member of the 41-B District Court Common Fund (the "Court"), a joint venture that provides judiciary services to the City of Mount Clemens, Michigan and the Charter Townships of Clinton and Harrison. The Township board of trustees appoints one member to the Court's management council, which has the responsibility of reviewing financial matters of the Court, including annual budget requests. The expenses of the Court are divided among three communities in proportion to the volume of cases attributable to each community. Fines and fees collected from within the communities are distributable to the communities net of their allocation of the Court's expenditures. The Township has also recorded its interest in the capital assets, the related bonded debt obligations, and the 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 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 3 percent of compensation to the plan and may make additional voluntary after-tax contributions of 1 percent to 5 percent of compensation. Employer contributions for each employee plus interest allocated to the employee's account are fully vested after 20 months of service.

The Township's total covered payroll during the current year was \$299,068, resulting in an employer contribution of \$50,933 and employee contributions of \$22,570.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 11 - Defined Contribution Pension Plans (Continued)

#### Clinton Township Public Safety Money Purchase Plan and Trust

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

The Township's total covered payroll during the current year was \$904,796, resulting in an employer contribution of \$113,410 and employee contributions of \$112,789.

### Note 12 - Defined Benefit Pension Plan - Municipal Employees Retirement System of Michigan (MERS)

**Plan Description** - The Township participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees Retirement System of Michigan (MERS) that covers all employees of the Township except fire and police. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at [www.mersofmichigan.com](http://www.mersofmichigan.com) or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

**Benefits Provided** - The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers all employees except fire and police.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 12 - Defined Benefit Pension Plan - Municipal Employees Retirement System of Michigan (MERS) (Continued)

Depending on the employee group, retirement benefits for employees are calculated as being either 2.0 or 2.5 percent of the employee's final three-year average salary times the employee's years of service. Those employee groups calculated at 2.5 percent are subject to a maximum multiplier of 80 percent of their final three-year average salary.

Normal retirement age is 60 with early retirement with full benefits at 55 with 25 years of service. Employees may elect early retirement with reduced benefits at 50 with 25 years of service or 55 with 15 years of service. The vesting period is either 8 or 10 years depending on the employee group.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Township's board, generally after negotiations of these terms with the affected unions.

**Employees Covered by Benefit Terms** - At the December 31, 2016 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	191
Inactive plan members entitled to but not yet receiving benefits	16
Active plan members	<u>152</u>
Total employees covered by MERS	<u><u>359</u></u>

**Contributions** - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended March 31, 2017, the average active employee contribution rate was 6.0 percent of annual pay and the Township's average contribution rate was 21.9 of annual payroll.

#### Net Pension Liability

The net pension liability reported at March 31, 2017 was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of that date.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 12 - Defined Benefit Pension Plan - Municipal Employees Retirement System of Michigan (MERS) (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at March 31, 2016</b>	\$ 71,339,473	\$ 40,363,678	\$ 30,975,795
Service cost	1,107,131	-	1,107,131
Interest	5,559,102	-	5,559,102
Differences between expected and actual experience	(444,068)	-	(444,068)
Contributions - Employer	-	1,959,949	(1,959,949)
Contributions - Employee	-	536,804	(536,804)
Net investment income	-	4,501,328	(4,501,328)
Benefit payments, including refunds	(4,808,520)	(4,808,520)	-
Administrative expenses	-	(88,955)	88,955
Net changes	1,413,645	2,100,606	(686,961)
<b>Balance at March 31, 2017</b>	<u>\$ 72,753,118</u>	<u>\$ 42,464,284</u>	<u>\$ 30,288,834</u>

### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended March 31, 2017, the Township recognized pension expense of \$4,480,263. At March 31, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 320,035	\$ 333,051
Changes in assumptions	1,482,275	-
Net difference between projected and actual earnings on pension plan investments	1,227,459	-
Employer contributions to the plan subsequent to the measurement date	537,728	-
Total	<u>\$ 3,567,497</u>	<u>\$ 333,051</u>

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 12 - Defined Benefit Pension Plan - Municipal Employees Retirement System of Michigan (MERS) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) (exclusive of employer contributions to the plan made subsequent to the measurement date of \$537,728, which will impact the net pension liability in fiscal year 2018, rather than pension expense) are as follows:

Years Ending March 31	Amount
2018	\$ 1,297,036
2019	1,297,036
2020	395,881
2021	(293,235)

**Actuarial Assumptions** - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %	
Salary increases	3.75 %	
Investment rate of return	8.00 %	Net of pension plan investment expense, including inflation

The mortality table used to project the mortality experience of nondisabled plan members is a 50 percent male - 50 percent female blend of the following tables:

- The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent
- The RP-2014 Employee Mortality Tables
- The RP-2014 Juvenile Mortality Tables

The mortality table used to project the mortality experience of disabled plan members is a 50 percent male - 50 percent female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period from 2009 through 2013. Possible future mortality improvements are reflected in the mortality assumption. The mortality assumptions include a 10 percent margin for future mortality improvements, relative to the actual mortality experience seen in the 2009-2013 Experience Study.

### Note 12 - Defined Benefit Pension Plan - Municipal Employees Retirement System of Michigan (MERS) (Continued)

**Discount Rate** - The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

#### Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2016, the measurement date, for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (%)</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	56 %	8.65 %
Global fixed income	19 %	3.76 %
Real assets	14 %	9.72 %
Diversifying strategies	13 %	7.50 %

The preceding target allocation was amended as of January 1, 2017 to reduce the previous allocation to global equity and global fixed income and to increase the allocation of real assets and diversifying strategies. The target allocation as of January 1, 2017 will be 55.5 percent global equity, 18.5 percent global fixed income, 13.5 percent real assets, and 12.5 percent diversifying strategies.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 12 - Defined Benefit Pension Plan - Municipal Employees Retirement System of Michigan (MERS) (Continued)

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Township, calculated using the discount rate of 8.0 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1 Percent Decrease (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability of the Township	\$ 37,578,460	\$ 30,288,834	\$ 24,043,358

**Pension Plan Fiduciary Net Position** - Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows or resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position has been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

### Note 13 - Pension Plan - Fire and Police Pension System

**Plan Administration** - The Charter Township of Clinton fire and police pension board administers the Charter Township of Clinton Fire and Police Pension System - a single-employer defined benefit pension plan that provides pensions for all police and fire employees of the Charter Township of Clinton. Benefit terms have been established by contractual agreements between the Township and the various employee union representation; amendments are subject to the same process.

The plan issues a publicly available financial report that can be obtained at 40700 Romeo Plank Rd., Clinton Township, MI 48038. The financial statements of the plan are also included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Management of the plan is vested in the pension board, which consists of five members - one police member elected by members of the police department, one fire member elected by members of the fire department, two citizens of the Township appointed by the board, and the Township treasurer who serves as an ex-officio member.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 13 - Pension Plan - Fire and Police Pension System (Continued)

**Plan Membership** - At March 31, 2017, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	174
Inactive plan members entitled to but not yet receiving benefits	6
Active plan members	<u>161</u>
Total employees covered by the plan	<u>341</u>

**Benefits Provided** - The pension plan provides retirement, disability, and death benefits as follows:

Police officers: Eligible after 25 years of service regardless of age. The pension amount is 2.8 percent of the member's average final compensation (AFC) times the first 25 years of credited service (maximum is 70 percent of AFC). Those officers hired after April 1, 2011 are eligible for 2.0 percent of the member's AFC times the years of credited service (maximum is 70 percent of AFC).

Police sergeants and lieutenants: Eligible after 25 years of service regardless of age. For members promoted prior to January 1, 2008, the pension amount is 2.8 percent of the member's average final compensation (AFC) times the first 25 years of credited service, plus 1 percent of the member's AFC multiplied by the number of years, and fractions of a year, of service in excess of 25 years of service, without a maximum benefit of AFC. For members promoted after January 1, 2008, the pension amount is 2.8 percent of the member's AFC times the years of credited service (maximum of 70 percent of AFC).

Police captain: Eligible after 25 years of service regardless of age. The pension amount is 2.8 percent of the member's average final compensation (AFC) times the years of credited service (maximum is 70 percent of AFC).

Fire fighters: Eligible after 25 years of service regardless of age. For members hired before April 1, 2011, the pension amount is 2.8 percent of the member's average final compensation (AFC) times the first 25 years of credited service (maximum is 70 percent of AFC). For members hired on or after April 1, 2011, the pension amount is 2.0 percent of the member's AFC times the years of credited service (maximum is 70 percent of AFC).

Fire chiefs: Eligible after 25 years of service regardless of age. The pension amount is 2.8 percent of the member's average final compensation (AFC) times the first 25 years of credited service (maximum is 70 percent of AFC).

Average final compensation (AFC) for all employee classes covered in the plan is the average of the highest annual compensations received during any three years of service within the 10 years of service immediately preceding retirement, including regular salary, overtime, longevity pay, pay in lieu of holiday and/or vacation time, education allowance, show-up time, and shift differential.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 13 - Pension Plan - Fire and Police Pension System (Continued)

**Contributions** - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the Township Charter, union contracts, and plan provisions. For the year ended March 31, 2017, the average active member contribution rate was 6.99 percent of annual pay and the Township's average contribution rate was 26.1 percent of annual payroll.

#### Deferred Retirement Option Program

The Township offers certain employees the ability to continue services and be paid a salary after they are fully vested; this program credits the employee for benefit payments that would have been paid and pays them out with interest at 7.5 percent after the employee has fully retired (discontinued providing employee services to the Township). At March 31, 2017, the plan has \$3,079,119 accumulated in DROP accounts. These amounts are not currently due and payable.

#### Pension Plan Investments - Policy and Rate of Return

**Investment Policy** - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the pension board's adopted asset allocation policy as of March 31, 2017:

Asset Class	Target Allocation
Domestic equity	25 %
International equity	10 %
Balanced	15 %
Real estate	15 %
Fixed income	15 %
Hedge funds and alternative investments	20 %

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 13 - Pension Plan - Fire and Police Pension System (Continued)

**Rate of Return** - For the year ended March 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.06 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### Pension Plan Reserves

In accordance with plan documents, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee and credits interest annually at a rate of 2.0 percent. For any employee who terminates before vesting in the pension plan, the employee's balance is returned to him or her; for those who stay until retirement, the balance is transferred into the retiree reserve.

The employer reserve account is used to account for the residual net position balance in the pension plan after funding the above two reserves.

The balances of the reserve accounts at March 31, 2017 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 85,506,003	\$ 85,506,003
Employee reserve	11,632,389	11,632,389
Employer reserve	N/A	20,064,389

#### Net Pension Liability

The components of the net pension liability of the Township at March 31, 2017 were as follows:

Total pension liability	\$ 162,002,648
Plan fiduciary net position	<u>117,203,154</u>
Township's net pension liability	<u>\$ 44,799,494</u>
Plan fiduciary net position as a percentage of the total pension liability	72.3 %

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 13 - Pension Plan - Fire and Police Pension System (Continued)

The Township has chosen to use March 31, 2017 as its measurement date for the net pension liability. The March 31, 2017 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of March 31, 2017. The March 31, 2017 total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at March 31, 2016</b>	\$ 162,796,178	\$ 113,143,839	\$ 49,652,339
Service cost	4,207,656	-	4,207,656
Interest	10,450,777	-	10,450,777
Differences between expected and actual experience	(1,081,729)	-	(1,081,729)
Changes in assumptions	(5,146,191)	-	(5,146,191)
Contributions - Employer	-	3,611,452	(3,611,452)
Contributions - Employee	-	967,784	(967,784)
Net investment income	-	8,844,088	(8,844,088)
Benefit payments, including refunds	(9,224,043)	(9,224,043)	-
Administrative expenses	-	(139,966)	139,966
Net changes	(793,530)	4,059,315	(4,852,845)
<b>Balance at March 31, 2017</b>	<b>\$ 162,002,648</b>	<b>\$ 117,203,154</b>	<b>\$ 44,799,494</b>

**Assumption Changes** - During the year, the discount rate was increased from 6.52 percent to 6.81 percent. The 6.81 percent discount rate is the single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the actuarial present values.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 13 - Pension Plan - Fire and Police Pension System (Continued)

#### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended March 31, 2017, the Township recognized pension expense of \$9,075,584. At March 31, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 945,402
Changes in assumptions	8,848,021	4,316,160
Net difference between projected and actual earnings on pension plan investments	<u>4,968,127</u>	<u>-</u>
Total	<u>\$ 13,816,148</u>	<u>\$ 5,261,562</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending March 31	Amount
2018	\$ 2,787,142
2019	2,787,142
2020	2,787,142
2021	783,922
2022	783,922
Thereafter	(1,374,684)

**Actuarial Assumptions** - The total pension liability in the March 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.0 %	
Salary increases	4.7 - 8.5 %	Average, including inflation
Investment rate of return	7.5 %	Net of pension plan investment expense, including inflation

Mortality rates were based on the RP 2000 Combined Healthy Mortality Table projected to 2014.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 13 - Pension Plan - Fire and Police Pension System (Continued)

**Discount Rate** - The discount rate used to measure the total pension liability was 6.81 percent, which is an increase from the discount rate used at the March 31, 2016 measurement date of 6.52 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

#### Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate, which was 3.67 percent. The source of that bond rate was the S&P Municipal Bond 20 Year High Grade Index. The long-term expected rate of return was applied to projected benefit payments from March 31, 2018 through March 31, 2061 and the municipal bond rate was applied to the remaining periods.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of March 31, 2017 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	5.40 %
International equity	4.70 %
Balanced	1.30 %
Real estate	3.50 %
Fixed income	1.20 %
Hedge funds and alternative investments	3.40 %

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 13 - Pension Plan - Fire and Police Pension System (Continued)

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Township, calculated using the discount rate of 6.81 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.81 percent) or 1 percentage point higher (7.81 percent) than the current rate:

	1 Percent Decrease (5.81%)	Current Discount Rate (6.81%)	1 Percent Increase (7.81%)
Net pension liability of the Township	\$ 63,759,064	\$ 44,799,494	\$ 28,942,318

### Note 14 - Postemployment Benefits

The Township provides retiree healthcare benefits to full-time employees upon retirement in accordance with labor contracts. Membership in the plan included 301 retiree members and 269 active members as of September 1, 2014, 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. Beginning on April 1, 2011, new police and fire personnel within the plan are required to contribute 6 percent of their base salary. 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, 2017, the Township has estimated the cost of providing retiree healthcare benefits through information provided by an actuarial valuation dated as of September 1, 2014. 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.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 14 - Postemployment Benefits (Continued)

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

	<u>2017</u>	<u>2016</u>
Annual required contribution	\$ 4,264,099	\$ 4,264,099
Adjustment to the annual required contribution	206,064	(33,457)
Interest on beginning NOPEBO	<u>(308,043)</u>	<u>50,014</u>
Net OPEB costs	4,162,120	4,280,656
Amounts contributed:		
Payments of current premiums	-	(4,116,440)
Deposits into the OPEB trust	<u>(8,582,996)</u>	<u>(4,938,311)</u>
Total amounts contributed	<u>(8,582,996)</u>	<u>(9,054,751)</u>
Change in NOPEBO	(4,420,876)	(4,774,095)
OPEB (asset) liability - Beginning of year	<u>(4,107,241)</u>	<u>666,854</u>
OPEB asset - End of year	<u>\$ (8,528,117)</u>	<u>\$ (4,107,241)</u>

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, 2017	September 1, 2014	\$ 4,162,120	201 %	\$ (8,528,117)
March 31, 2016	September 1, 2014	4,280,656	212	(4,107,241)
March 31, 2015	September 1, 2012	4,929,991	94	666,854

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, 2014	\$ 27,646,415	\$ 85,075,927	\$ 57,429,512	32.5 %	\$ 17,888,238	321.0 %
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

### Note 14 - Postemployment Benefits (Continued)

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and 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 the sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 1, 2014 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 8.0 percent in the first year graded down to 5.0 percent in seven years. The actuarial value of assets was determined based on market value reported as of August 31, 2014. The UAAL is being amortized as a level percentage of projected covered payroll on an open basis. The remaining amortization period at September 1, 2014 was 30 years. The actuarial assumptions used in the September 1, 2014 valuation did not differ from those used in the September 1, 2012 valuation.

#### **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, 2017, the Township made contributions of \$172,772 and the plan members contributed \$85,728 to the plan.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 15 - Deferred Outflows and Deferred Inflows of Resources and Unearned Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. Refer to Notes 12 and 13 for a discussion of deferred inflows and outflows of resources related to pensions.

At the end of the current fiscal year, the remaining 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	\$ 639,516	\$ -	\$ 639,516	\$ -
Long-term due from other governments	3,504,600	-	3,504,600	-
Other grant revenue	-	18,116	18,116	18,116
Total	<u>\$ 4,144,116</u>	<u>\$ 18,116</u>	<u>\$ 4,162,232</u>	<u>\$ 18,116</u>

### Note 16 - Tax Abatements

The Township currently has several businesses that are receiving an Industrial Facilities Tax (IFT) exemption which encourages local businesses to construct new industrial facilities or rehabilitate historical facilities. This exemption applies to both real and personal property taxes. These tax abatements are authorized by Public Act 198 of 1974. In order to receive a tax abatement, a property owner or lessee must have a business that qualifies as a "manufacturing operation" and must have a new industrial facility that is defined within Act 198 as "industrial property." An application must be completed and submitted to the Township and approval granted by the Township board at a formal public hearing. Commitments are made by the taxpayer regarding the amount of investment and the number of jobs created as a result of the tax abatement. IFT abatements use a reduced (specific tax) millage rate of 50 percent of the normal millage rate that is applied to a taxable value that is calculated in the same manner as all of the properties that are contained on the regular (ad valorem) assessment roll. Abated taxes may be recaptured by the Township if the taxpayer chooses to relocate without township permission prior to termination of the abatement. The amount of tax foregone as a result of this abatement in 2016 was \$81,147.

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

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2017

### Note 16 - Tax Abatements (Continued)

To encourage the development of senior housing, the Township has entered into individual agreements with certain government-subsidized senior housing facilities whereby, upon meeting certain development requirements, the taxable value of these facilities is frozen at an agreed-upon amount. In 2016, these agreements resulted in foregone tax revenue of \$17,026.

### Note 17 - Fund Balance Constraints

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

	<u>General Capital Projects Fund</u>
<b>Fund Balances</b>	
Restricted - Transportation	\$ 100,000
Assigned:	
Next year's budget	324,747
Cass Avenue loan principal and interest	100,874
Romeo Plank loan principal and interest	141,234
Technology	<u>346,931</u>
Total	<u>\$ 1,013,786</u>

### Note 18 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the Township will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The Township is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016, whereas GASB Statement No. 75 is effective one year later.

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2017

### Note 18 - Upcoming Accounting Pronouncements (Continued)

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This statement will establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The Township is currently evaluating the impact this statement will have on the financial statements when adopted during the Township's 2019-2020 fiscal year.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement will establish criteria for identifying fiduciary activities of all state and local governments, focusing such criteria on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The Township is currently evaluating the impact this statement will have on the financial statements when adopted during the Township's 2019-2020 fiscal year.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. The statement will address a variety of topics, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The Township is currently evaluating the impact this statement will have on the financial statements when adopted during the Township's 2018-2019 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Township is currently evaluating the impact this statement will have on the financial statements when adopted during the Township's 2020-2021 fiscal year.

### **Note 19 - Subsequent Events**

On December 24, 2016, a sinkhole developed within Macomb County as the result of the collapse of the Macomb Sewage Interceptor Drain near the intersection of 15 Mile Road and Utica Road in the City of Fraser, Michigan, destroying or causing damage to private property as well as the sewer interceptor. As of the opinion date of this report, emergency construction is in progress to permanently repair the sewage drain.

Costs of the repair are expected to run between \$75 million and \$100 million and are funded with revenue bonds issued by the Macomb Interceptor Drainage District (MIDD), which are backed by the full faith and credit of Macomb County. The bonds are to be paid by special assessments collected from the 11 member communities within the MIDD, of which the Township is a member. On June 20, 2017, \$126,425,000 of bonds was issued to finance the cost of repairs to the interceptor system and to refund the MID 2010A bonds. The Township's portion of the total bond issue, including the refunded bonds, is \$25,380,662. Interest rates range from 3 percent to 5 percent, maturing on May 1, 2042.

## **Required Supplemental Information**

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# Charter Township of Clinton

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 2,419,000	\$ 2,391,068	\$ 2,411,920	\$ 20,852
Licenses and permits	1,332,500	1,391,700	1,399,744	8,044
Federal grants	17,000	18,697	19,351	654
State-shared revenue and grants	7,926,332	8,040,400	8,374,213	333,813
Interest	65,000	59,000	67,596	8,596
Other revenue	3,796,942	4,333,703	4,485,237	151,534
Total revenue	<u>15,556,774</u>	<u>16,234,568</u>	<u>16,758,061</u>	<u>523,493</u>
<b>Expenditures</b>				
Current:				
General government	5,662,217	5,521,410	5,172,696	348,714
Public safety	1,664,462	1,695,186	1,592,515	102,671
Public works	4,749,974	4,572,739	4,369,290	203,449
Community and economic development	765,713	756,703	739,256	17,447
Recreation and culture	2,661,206	2,560,524	2,549,207	11,317
Debt service	152,585	152,585	152,584	1
Total expenditures	<u>15,656,157</u>	<u>15,259,147</u>	<u>14,575,548</u>	<u>683,599</u>
<b>Excess of Revenue (Under) Over Expenditures</b>	(99,383)	975,421	2,182,513	1,207,092
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	400,000	400,000	145,657	(254,343)
Transfers out	(1,306,633)	(2,974,988)	(3,045,300)	(70,312)
Total other financing uses	<u>(906,633)</u>	<u>(2,574,988)</u>	<u>(2,899,643)</u>	<u>(324,655)</u>
<b>Net Change in Fund Balance</b>	(1,006,016)	(1,599,567)	(717,130)	882,437
<b>Fund Balance - Beginning of year</b>	<u>23,538,698</u>	<u>23,538,698</u>	<u>23,538,698</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><b>\$ 22,532,682</b></u>	<u><b>\$ 21,939,131</b></u>	<u><b>\$ 22,821,568</b></u>	<u><b>\$ 882,437</b></u>

# Charter Township of Clinton

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Fund Year Ended March 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 16,225,900	\$ 16,206,720	\$ 16,172,779	\$ (33,941)
Federal grants	-	-	25,429	25,429
State-shared revenue and grants	-	-	60,366	60,366
Interest	45,000	55,400	56,106	706
Other revenue	14,000	69,873	68,939	(934)
Total revenue	16,284,900	16,331,993	16,383,619	51,626
<b>Expenditures</b>				
Current - Public safety	16,702,995	17,370,134	17,151,666	218,468
Debt service:				
Principal	615,000	615,000	615,000	-
Interest on long-term debt	121,738	121,738	121,738	-
Total expenditures	17,439,733	18,106,872	17,888,404	218,468
<b>Excess of Expenditures Over Revenue</b>	(1,154,833)	(1,774,879)	(1,504,785)	270,094
<b>Other Financing Sources - Proceeds</b>				
from sale of capital assets	-	18,500	37,228	18,728
<b>Net Change in Fund Balance</b>	(1,154,833)	(1,756,379)	(1,467,557)	288,822
<b>Fund Balance - Beginning of year</b>	22,404,052	22,404,052	22,404,052	-
<b>Fund Balance - End of year</b>	<u>\$ 21,249,219</u>	<u>\$ 20,647,673</u>	<u>\$ 20,936,495</u>	<u>\$ 288,822</u>

# Charter Township of Clinton

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Fund Year Ended March 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 19,483,500	\$ 19,481,538	\$ 19,443,532	\$ (38,006)
Licenses and permits	52,000	54,000	54,493	493
Federal grants	20,000	20,000	24,598	4,598
State-shared revenue and grants	72,700	72,400	162,914	90,514
Interest	30,000	72,200	90,714	18,514
Other revenue	285,610	350,510	429,393	78,883
Total revenue	19,943,810	20,050,648	20,205,644	154,996
<b>Expenditures - Current - Public safety</b>	19,895,504	19,006,512	18,459,400	547,112
<b>Excess of Revenue Over Expenditures</b>	48,306	1,044,136	1,746,244	702,108
<b>Other Financing Sources</b>				
Proceeds from sale of capital assets	3,500	12,000	24,530	12,530
Transfers in	225,000	225,000	225,000	-
Total other financing sources	228,500	237,000	249,530	12,530
<b>Net Change in Fund Balance</b>	276,806	1,281,136	1,995,774	714,638
<b>Fund Balance - Beginning of year</b>	30,060,016	30,060,016	30,060,016	-
<b>Fund Balance - End of year</b>	<b>\$ 30,336,822</b>	<b>\$ 31,341,152</b>	<b>\$ 32,055,790</b>	<b>\$ 714,638</b>

# Charter Township of Clinton

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## Note to Required Supplemental Information Year Ended March 31, 2017

### 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. 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, 2017 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

During the year, the Township incurred expenditures that were in excess of amounts budgeted due to unforeseen events, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Transfers out	\$ 2,974,988	\$ 3,045,300	\$ (70,312)

# Charter Township of Clinton

## Required Supplemental Information OPEB System Schedules of Funding Progress and Employer Contributions Year Ended March 31, 2017

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
9/1/16	\$ 39,209,334	\$102,350,462	\$ 63,141,128	38.3 %	\$ 17,508,624	360.6 %
9/1/14	27,646,415	85,075,927	57,429,512	32.5	17,888,238	321.0
9/1/12	23,271,604	83,194,819	59,923,215	28.0	20,676,144	289.8

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual Required Contribution *	Percentage Contributed
3/31/17	\$ 4,264,099	201.2 %
3/31/16	4,264,099	212.0
3/31/15	4,920,922	94.1

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

# Charter Township of Clinton

## Required Supplemental Information Schedule of Changes in the Township Net Pension Liability and Related Ratios - MERS March 31, 2017

	2017	2016
<b>Total Pension Liability</b>		
Service cost	\$ 1,107,131	\$ 1,064,743
Interest	5,559,102	5,296,358
Differences between expected and actual experience	(444,068)	640,069
Changes in assumptions	-	2,964,550
Benefit payments, including refunds	(4,808,520)	(4,584,320)
<b>Net Change in Total Pension Liability</b>	1,413,645	5,381,400
<b>Total Pension Liability - Beginning of year</b>	71,339,473	65,958,073
<b>Total Pension Liability - End of year</b>	<b>\$ 72,753,118</b>	<b>\$ 71,339,473</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 1,959,949	\$ 1,872,652
Contributions - Member	536,804	528,758
Net investment income	4,501,328	(630,111)
Administrative expenses	(88,955)	(93,273)
Benefit payments, including refunds	(4,808,520)	(4,584,320)
<b>Net Change in Plan Fiduciary Net Position</b>	2,100,606	(2,906,294)
<b>Plan Fiduciary Net Position - Beginning of year</b>	40,363,678	43,269,972
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 42,464,285</b>	<b>\$ 40,363,678</b>
<b>Township's Net Pension Liability - Ending</b>	<b>\$ 30,288,833</b>	<b>\$ 30,975,795</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	58.37 %	56.58 %
<b>Covered Employee Payroll</b>	\$ 8,937,780	\$ 8,691,747
<b>Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	338.9 %	356.4 %



# Charter Township of Clinton

## Required Supplemental Information Schedule of Changes in the Township Net Pension Liability and Related Ratios - Fire and Police Pension System Years Ended March 31

	2017	2016	2015
<b>Total Pension Liability</b>			
Service cost	\$ 4,207,656	\$ 3,708,595	\$ 3,829,279
Interest	10,450,777	9,790,487	9,639,099
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(1,081,729)	(55,887)	(2,412,055)
Changes in assumptions	(5,146,191)	12,963,381	-
Benefit payments, including refunds	(9,224,043)	(8,533,658)	(9,051,073)
<b>Net Change in Total Pension Liability</b>	(793,530)	17,872,918	2,005,250
<b>Total Pension Liability - Beginning of year</b>	162,796,178	144,923,260	142,918,010
<b>Total Pension Liability - End of year</b>	<b>\$ 162,002,648</b>	<b>\$ 162,796,178</b>	<b>\$ 144,923,260</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 3,611,452	\$ 3,595,004	\$ 3,427,893
Contributions - Member	967,784	980,971	5,264,133
Net investment income (loss)	8,844,088	(2,350,175)	995,827
Administrative expenses	(139,966)	(205,323)	(88,708)
Benefit payments, including refunds	(9,224,043)	(8,533,658)	(9,051,073)
Adjustment for DROP plan change of accounting	-	-	2,611,725
<b>Net Change in Plan Fiduciary Net Position</b>	4,059,315	(6,513,181)	3,159,797
<b>Plan Fiduciary Net Position - Beginning of year</b>	113,143,839	119,657,021	116,497,224
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 117,203,154</b>	<b>\$ 113,143,840</b>	<b>\$ 119,657,021</b>
<b>Township's Net Pension Liability - Ending</b>	<b>\$ 44,799,494</b>	<b>\$ 49,652,338</b>	<b>\$ 25,266,239</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	72.35 %	69.50 %	82.57 %
<b>Covered Employee Payroll</b>	\$ 13,842,945	\$ 14,176,791	\$ 13,004,900
<b>Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	323.6 %	350.2 %	194.3 %



# Charter Township of Clinton

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## Required Supplemental Information Schedule of Investment Returns - Fire and Police Pension System Years Ended March 31

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return - Net of investment expense	8.1 %	(2.0)%	4.7 %

## **Other Supplemental Information**

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# Charter Township of Clinton

Nonmajor Special Revenue Funds						
	Drainage	Community Development Block Grant	Drug Forfeiture	Street Lighting	DEA Task Force	Total Special Revenue Funds
<b>Assets</b>						
Cash and investments	\$ 264,268	\$ -	\$ 121,780	\$ 67,527	\$ 216,647	\$ 670,222
Receivables:						
Taxes	-	-	-	-	-	-
Customers	-	-	-	31,042	-	31,042
Due from other governmental units	514	43,689	-	454,694	-	498,897
Due from other funds	-	-	1,000	-	-	1,000
<b>Total assets</b>	<b>\$ 264,782</b>	<b>\$ 43,689</b>	<b>\$ 122,780</b>	<b>\$ 553,263</b>	<b>\$ 216,647</b>	<b>\$ 1,201,161</b>
<b>Liabilities</b>						
Accounts payable	\$ 247	\$ -	\$ 2,464	\$ 40,573	\$ -	\$ 43,284
Due to other funds	-	43,689	319	-	1,000	45,008
Accrued liabilities and other	1,500	-	-	-	-	1,500
<b>Total liabilities</b>	<b>1,747</b>	<b>43,689</b>	<b>2,783</b>	<b>40,573</b>	<b>1,000</b>	<b>89,792</b>
<b>Fund Balances</b>						
Restricted:						
Drainage	263,035	-	-	-	-	263,035
Police	-	-	-	-	215,647	215,647
Debt service	-	-	-	-	-	-
Drug forfeiture	-	-	119,997	-	-	119,997
Street lighting	-	-	-	512,690	-	512,690
Transportation	-	-	-	-	-	-
Assigned - Capital projects	-	-	-	-	-	-
<b>Total fund balances</b>	<b>263,035</b>	<b>-</b>	<b>119,997</b>	<b>512,690</b>	<b>215,647</b>	<b>1,111,369</b>
<b>Total liabilities and fund balances</b>	<b>\$ 264,782</b>	<b>\$ 43,689</b>	<b>\$ 122,780</b>	<b>\$ 553,263</b>	<b>\$ 216,647</b>	<b>\$ 1,201,161</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
March 31, 2017**

Nonmajor Debt Service Funds			Nonmajor Capital Project Fund	Total Nonmajor Governmental Funds
Building Authority	Police Facility	Total Debt Service Funds	General Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 1,234,405	\$ 1,234,405	\$ 1,053,545	\$ 2,958,172
-	57,082	57,082	-	57,082
-	-	-	-	31,042
-	-	-	-	498,897
-	-	-	-	1,000
<b>\$ -</b>	<b>\$ 1,291,487</b>	<b>\$ 1,291,487</b>	<b>\$ 1,053,545</b>	<b>\$ 3,546,193</b>
\$ -	\$ -	\$ -	\$ 39,759	\$ 83,043
-	1,217,993	1,217,993	-	1,263,001
-	886	886	-	2,386
-	1,218,879	1,218,879	39,759	1,348,430
-	-	-	-	263,035
-	-	-	-	215,647
-	72,608	72,608	-	72,608
-	-	-	-	119,997
-	-	-	-	512,690
-	-	-	100,000	100,000
-	-	-	913,786	913,786
-	72,608	72,608	1,013,786	2,197,763
<b>\$ -</b>	<b>\$ 1,291,487</b>	<b>\$ 1,291,487</b>	<b>\$ 1,053,545</b>	<b>\$ 3,546,193</b>

# Charter Township of Clinton

Nonmajor Special Revenue Funds						
	Drainage	Community Development Block Grant	Drug Forfeiture	Street Lighting	DEA Task Force	Total Special Revenue Funds
<b>Revenue</b>						
Property taxes	\$ -	\$ -	\$ -	\$ 500,737	\$ -	\$ 500,737
Federal sources	-	930,562	-	-	-	930,562
State-shared revenue and grants	-	-	-	-	-	-
Fines and forfeitures	-	-	109,406	-	91,575	200,981
Interest	1,074	-	-	1,322	1,007	3,403
Other revenue	40,279	-	-	-	-	40,279
<b>Total revenue</b>	<b>41,353</b>	<b>930,562</b>	<b>109,406</b>	<b>502,059</b>	<b>92,582</b>	<b>1,675,962</b>
<b>Expenditures</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	87,929	-	-	87,929
Public works	70,428	-	-	536,559	-	606,987
Community and economic development	-	930,562	-	-	-	930,562
Debt service:						
Principal	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-
<b>Total expenditures</b>	<b>70,428</b>	<b>930,562</b>	<b>87,929</b>	<b>536,559</b>	<b>-</b>	<b>1,625,478</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(29,075)</b>	<b>-</b>	<b>21,477</b>	<b>(34,500)</b>	<b>92,582</b>	<b>50,484</b>
<b>Other Financing Sources (Uses)</b>						
Proceeds from sale of capital assets	-	-	7,925	-	-	7,925
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(100,000)	-	(125,000)	(225,000)
<b>Total other financing (uses) sources</b>	<b>-</b>	<b>-</b>	<b>(92,075)</b>	<b>-</b>	<b>(125,000)</b>	<b>(217,075)</b>
<b>Net Change in Fund Balances</b>	<b>(29,075)</b>	<b>-</b>	<b>(70,598)</b>	<b>(34,500)</b>	<b>(32,418)</b>	<b>(166,591)</b>
<b>Fund Balances - Beginning of year</b>	<b>292,110</b>	<b>-</b>	<b>190,595</b>	<b>547,190</b>	<b>248,065</b>	<b>1,277,960</b>
<b>Fund Balances - End of year</b>	<b>\$ 263,035</b>	<b>\$ -</b>	<b>\$ 119,997</b>	<b>\$ 512,690</b>	<b>\$ 215,647</b>	<b>\$1,111,369</b>

**Other Supplemental Information  
Combining Statement of Revenue, Expenditures, and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended March 31, 2017**

Nonmajor Debt Service Funds			Nonmajor Capital Project Fund	Total
Building Authority	Police Facility	Total Debt Service Funds	General Capital Projects Fund	Nonmajor Governmental Funds
\$ -	\$ 1,286,645	\$ 1,286,645	\$ -	\$ 1,787,382
-	-	-	-	930,562
-	27,767	27,767	-	27,767
-	-	-	-	200,981
1	-	1	6,129	9,533
-	-	-	104,053	144,332
1	1,314,412	1,314,413	110,182	3,100,557
3,482	-	3,482	104,589	108,071
-	2,048	2,048	-	89,977
-	-	-	2,365,290	2,972,277
-	-	-	-	930,562
274,177	1,200,000	1,474,177	85,747	1,559,924
32,457	101,000	133,457	-	133,457
310,116	1,303,048	1,613,164	2,555,626	5,794,268
(310,115)	11,364	(298,751)	(2,445,444)	(2,693,711)
-	-	-	-	7,925
306,634	-	306,634	1,431,250	1,737,884
-	-	-	-	(225,000)
306,634	-	306,634	1,431,250	1,520,809
(3,481)	11,364	7,883	(1,014,194)	(1,172,902)
3,481	61,244	64,725	2,027,980	3,370,665
<b>\$ -</b>	<b>\$ 72,608</b>	<b>\$ 72,608</b>	<b>\$ 1,013,786</b>	<b>\$ 2,197,763</b>

# Charter Township of Clinton

## Other Supplemental Information Combining Statement of Net Position Fiduciary Funds March 31, 2017

	Pension and Other Employee Benefit Trust Funds			Agency Funds			
	Fire and Police Pension System	Public Employee Healthcare	Total	Tax Collection	Cash Bond	Trust and Agency	Total Agency Funds
<b>Assets</b>							
Cash	\$ -	\$ 1,981,530	\$ 1,981,530	\$ 353,844	\$ 112,736	\$ 714,801	\$ 1,181,381
Investments:							
Bank investment pools and money market funds	4,382,338	-	4,382,338	-	-	-	-
U.S. Treasury securities	3,215,719	-	3,215,719	-	-	-	-
Asset-backed securities	6,740,559	-	6,740,559	-	-	-	-
Municipal bonds	110,344	-	110,344	-	-	-	-
Corporate bonds	5,314,885	-	5,314,885	-	-	-	-
Foreign bonds	883,237	-	883,237	-	-	-	-
Domestic stock	30,304,727	-	30,304,727	-	-	-	-
Foreign stock	4,042,270	-	4,042,270	-	-	-	-
Mutual funds	21,792,703	37,597,889	59,390,592	-	-	-	-
Real estate investments trusts	6,496,734	-	6,496,734	-	-	-	-
Limited partnerships	25,620,115	-	25,620,115	-	-	-	-
Hedge funds	7,769,393	-	7,769,393	-	-	-	-
Securities lending - Mutual funds	1,419,570	-	1,419,570	-	-	-	-
Receivables	-	12,078	12,078	-	-	-	-
Prepaid expenses and other assets	717,507	152,511	870,018	-	-	-	-
Total assets	<u>118,810,101</u>	<u>39,744,008</u>	<u>158,554,109</u>	<u>\$ 353,844</u>	<u>\$ 112,736</u>	<u>\$ 714,801</u>	<u>\$ 1,181,381</u>
<b>Liabilities</b>							
Benefits payable and other liabilities	163,226	100	163,326	\$ 174,002	\$ -	\$ -	\$ 174,002
Due to other governmental units	-	-	-	179,842	-	-	179,842
Due to other funds	24,151	840,208	864,359	-	-	-	-
Refundable deposits, bonds, etc.	-	-	-	-	112,736	714,801	827,537
Accrued liabilities and other - Amounts due to broker under securities lending arrangements	1,419,570	-	1,419,570	-	-	-	-
Total liabilities	<u>1,606,947</u>	<u>840,308</u>	<u>2,447,255</u>	<u>\$ 353,844</u>	<u>\$ 112,736</u>	<u>\$ 714,801</u>	<u>\$ 1,181,381</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<u>\$ 117,203,154</u>	<u>\$ 38,903,700</u>	<u>\$ 156,106,854</u>				

# Charter Township of Clinton

## Other Supplemental Information Combining Statement of Changes in Net Position Fiduciary Funds Year Ended March 31, 2017

	Fire and Police Pension System	Public Employee Healthcare	Total
<b>Additions</b>			
Investment income (loss):			
Interest and dividends	\$ 2,027,154	\$ 749,616	\$ 2,776,770
Net increase in fair value of investments	7,577,840	2,566,443	10,144,283
Investment-related expenses	(708,088)	-	(708,088)
Net investment income	8,896,906	3,316,059	12,212,965
Securities lending income:			
Interest and dividends	33,541	-	33,541
Less borrower rebates and fees	(8,858)	-	(8,858)
Net securities lending income	24,683	-	24,683
Contributions:			
Employer	3,611,452	8,582,996	12,194,448
Employee	967,783	301,970	1,269,753
Total contributions	4,579,235	8,884,966	13,464,201
Total additions	13,500,824	12,201,025	25,701,849
<b>Deductions</b>			
Benefit payments and annuity withdrawals	9,224,043	3,940,768	13,164,811
Administrative expenses	217,467	8,824	226,291
Total deductions	9,441,510	3,949,592	13,391,102
<b>Net Increase in Net Position Held in Trust</b>	4,059,314	8,251,433	12,310,747
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	113,143,840	30,652,267	143,796,107
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 117,203,154</b>	<b>\$ 38,903,700</b>	<b>\$ 156,106,854</b>