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# Charter Township of Clinton

Macomb County, Michigan

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**Financial Report**  
**with Supplemental Information**  
**March 31, 2018**

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## Independent Auditor's Report

To the Board of Trustees  
Charter Township of Clinton

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Clinton (the "Township") as of and for the year ended March 31, 2018 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Clinton as of March 31, 2018 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As described in Note 4, the financial statements include investments related to the Fire and Police Pension System valued at approximately \$42.6 million at March 31, 2018 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.

To the Board of Trustees  
Charter Township of Clinton

As described in Note 1 to the financial statements, the Township adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as of March 31, 2018. This new accounting standard results in enhanced noted disclosures and schedules of required supplemental information presented by OPEB plans that are administered through trusts that meet specific criteria. Our opinion is not modified with respect to this matter.

**Required Supplemental Information**

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

**Other Information**

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

The other supplemental information 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.



September 17, 2018

# Management's Discussion and Analysis

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### **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, 2018. 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 19-21. 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 23-33. 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, 2018 and 2017:

#### Summary Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Current Assets</b>	\$ 83,949.1	\$ 84,385.6	\$ 38,819.4	\$ 34,310.5	\$ 122,768.5	\$ 118,696.1
<b>Noncurrent Assets</b>						
Restricted assets	-	-	3,262.8	1,960.9	3,262.8	1,960.9
Special assessments	-	-	179.7	851.9	179.7	851.9
Net OPEB asset	14,147.4	8,528.1	-	-	14,147.4	8,528.1
Capital assets	41,863.6	41,736.6	178,471.9	168,511.6	220,335.5	210,248.2
<b>Total assets</b>	<b>139,960.1</b>	<b>134,650.3</b>	<b>220,733.8</b>	<b>205,634.9</b>	<b>360,693.9</b>	<b>340,285.2</b>
<b>Deferred Outflows of Resources</b>						
Deferred charge on bond refunding	-	-	174.1	-	174.1	-
Deferred pension costs	32,542.6	18,186.4	472.4	1,411.7	33,015.0	19,598.1
<b>Total deferred outflows of resources</b>	<b>32,542.6</b>	<b>18,186.4</b>	<b>646.5</b>	<b>1,411.7</b>	<b>33,189.1</b>	<b>19,598.1</b>
<b>Liabilities</b>						
Current liabilities	4,280.4	5,736.1	8,018.6	9,083.5	12,299.0	14,819.6
Net pension liability	91,945.2	66,068.3	8,621.2	9,020.0	100,566.4	75,088.3
Long-term liabilities	15,432.6	16,820.3	66,052.0	53,651.1	81,484.6	70,471.4
<b>Total liabilities</b>	<b>111,658.2</b>	<b>88,624.7</b>	<b>82,691.8</b>	<b>71,754.6</b>	<b>194,350.0</b>	<b>160,379.3</b>
<b>Deferred Inflows of Resources -</b>						
Pension cost reductions	5,219.3	7,360.6	420.0	448.5	5,639.3	7,809.1
<b>Net Position</b>						
Net investment in capital assets	27,236.1	24,117.3	112,911.2	112,394.8	140,147.3	136,512.1
Restricted	6,230.5	20,297.1	2,846.1	2,001.4	9,076.6	22,298.5
Unrestricted	22,158.6	12,437.0	22,511.2	20,447.3	44,669.8	32,884.3
<b>Total net position</b>	<b>\$ 55,625.2</b>	<b>\$ 56,851.4</b>	<b>\$ 138,268.5</b>	<b>\$ 134,843.5</b>	<b>\$ 193,893.7</b>	<b>\$ 191,694.9</b>

Total net position related to the Township's governmental activities decreased by approximately \$1.2 million. An approximate \$373 thousand decrease resulted from expenditures exceeding revenues across all governmental funds which includes a transfer of \$940 thousand 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 \$5.6 million. During the fiscal year ended March 31, 2016, 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 \$9.3 million. A \$14 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 \$22.4 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 25.

## Charter Township of Clinton

# Management's Discussion and Analysis (continued)

For the year ended March 31, 2018, the Township continues to record its liability/asset (in the Township's case for March 31, 2018, 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 \$14.1 million at March 31, 2018.

The following table shows the changes in net position (in thousands of dollars) during the years ended March 31, 2018 and 2017:

### Summary Condensed Income Statement

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 3,834.9	\$ 3,611.3	\$ 50,042.2	\$ 47,475.7	\$ 53,877.1	\$ 51,087.0
Operating grants and contributions	1,683.5	2,096.8	41.2	362.0	1,724.7	2,458.8
Capital grants and contributions	23.6	-	1,276.7	26.6	1,300.3	26.6
General revenue:						
Property taxes	40,887.4	40,114.3	-	-	40,887.4	40,114.3
State-shared revenue	8,669.3	8,118.8	-	-	8,669.3	8,118.8
Investment income	255.8	133.1	294.4	132.9	550.2	266.0
Miscellaneous	3,406.7	3,359.0	(146.0)	5.0	3,260.7	3,364.0
Total revenue	58,761.2	57,433.3	51,508.5	48,002.2	110,269.7	105,435.5
<b>Program Expenses</b>						
General government	4,080.5	3,193.8	-	-	4,080.5	3,193.8
Public safety	44,109.3	38,746.9	-	-	44,109.3	38,746.9
Public works	5,182.7	5,532.7	-	-	5,182.7	5,532.7
Recreation and culture	3,880.1	4,527.3	-	-	3,880.1	4,527.3
Community and economic development	1,226.0	1,669.8	-	-	1,226.0	1,669.8
Interest on long-term debt	568.8	662.3	-	-	568.8	662.3
Water and sewer	-	-	42,894.7	34,897.8	42,894.7	34,897.8
Senior housing	-	-	1,392.8	1,445.9	1,392.8	1,445.9
Sanitation	-	-	4,228.2	5,294.5	4,228.2	5,294.5
Special assessments	-	-	507.8	1,448.7	507.8	1,448.7
Total program expenses	59,047.4	54,332.8	49,023.5	43,086.9	108,070.9	97,419.7
<b>Change in Net Position - Before transfers</b>	(286.2)	3,100.5	2,485.0	4,915.3	2,198.8	8,015.8
<b>Transfers</b>	(940.0)	(1,307.4)	940.0	1,307.4	-	-
<b>Change in Net Position</b>	(1,226.2)	1,793.1	3,425.0	6,222.7	2,198.8	8,015.8
<b>Net Position - Beginning of year</b>	56,851.4	55,058.3	134,843.5	128,620.8	191,694.9	183,679.1
<b>Net Position - End of year</b>	<b>\$ 55,625.2</b>	<b>\$ 56,851.4</b>	<b>\$ 138,268.5</b>	<b>\$ 134,843.5</b>	<b>\$ 193,893.7</b>	<b>\$ 191,694.9</b>

Property taxes are the primary source of revenue for the governmental activities, providing approximately 69.5 percent of the total. State-shared revenue provides another 14.7 percent, user charges provide 6.5 percent, and grants and contributions provide 2.9 percent, leaving only 6.4 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 2.0 percent due to an increase in taxable property values of approximately 2.8 percent reduced by Headlee Millage reduction factor and tax reductions due to Michigan tax tribunal appeals for prior year. This is the fourth 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 \$550 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, 2018 was approximately \$1.8 million (17.8 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, 2018. 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 \$452.5 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

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# Management's Discussion and Analysis (continued)

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### 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 \$987.6 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 1.6 percent, or \$39.3 thousand, in the General Fund. The 1.6 percent increase in tax revenue is related to the 2.8 percent reduced by Headlee Millage reduction factor and tax reductions due to Michigan tax tribunal appeals for prior year. The revenue from state revenue sharing, the General Fund's largest revenue source, increased by 5.0 percent, or \$342.4 thousand, mainly due to an increase of constitutional state revenue-sharing payments from the State of Michigan. The \$452 thousand of statutory revenue received through the City, Village, and Township Revenue Sharing (CVTRS) program was increased by \$39 thousand from 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 decreased by 4.8 percent, or \$114.7 thousand, from the prior year. Proceeds from the sale of fixed assets remain relatively the same as the prior year. Fees and permit revenue increased by 11.7 percent, or \$164.3 thousand, from the prior year, mainly due to increases in the building, electrical, heating, and plumbing permits, which indicates an increase in construction of new homes and residents investing in home improvements. Interest income has almost doubled from the prior year, as available cash balances have increased and interest rates are slowly increasing. Administrative fees received from other departments are \$179.5 thousand higher than the prior year. The DPW revenues have decreased by approximately \$27.7 thousand mainly due to decreases in paving inspections. Revenue collected by the parks and recreation and seniors department remained relatively the same as the prior year.

Total General Fund expenditures have increased by 10.0 percent, or \$1.46 million, above the prior year. The increase is related to increases across all departments related to wage increases, pension costs, retiree health care prefunding and capital improvements. Approximately \$940 thousand was the Township's transfer to the Special Assessment Fund for road paving and a transfer in the amount of \$354 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

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# Management's Discussion and Analysis (continued)

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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 3.4 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 \$20.0 million this year in the Police Fund, an increase of 2.8 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 95.6 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 (DEA) Task Force Fund in the amount of \$125 thousand. Total transfers was \$100 thousand less than the prior year.

Overall, Police Fund expenditures have increased by 12.7 percent from the prior year. This increase is attributable to salary and fringe benefit increases, the hiring of additional personnel, and increased 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 2.5 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 \$16.6 million this year in the Fire Fund, an increase of 2.8 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 98.8 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, 2018. Therefore, overall expenditures will include activity from both the Fire Fund and the Fire Vehicle and Equipment Replacement Fund.

## Charter Township of Clinton

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# Management's Discussion and Analysis (continued)

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Overall, Fire Fund expenditures have decreased by approximately 3.7 percent from the prior year. This decrease is mainly attributable to the purchase of five new fire trucks at a cost of approximately \$2 million in the prior year offset by increases 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, 2017, 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 \$10,070,000, 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, October 2016, October 2017, and October 2018, water and sewer rates were increased an additional 9.3 percent, 7.7 percent, 5.8 percent, 9.6 percent, 12.0 percent, 4.25 percent, and 5.7 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, \$3.5 million, and \$25.7 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, 2018, water and sewer operating revenue increased by approximately 3.0 percent, which is consistent with the increase to the water and sewer rate increases. Water consumption during the year decreased by 7.0 percent. Total operating expenses increased by approximately 21.4 percent from the prior year. During the current year the Township recorded \$5.4 million of expenses related to sinkhole repair. Pension expense related to GASB Statement No. 68 increased by \$200 thousand from the prior year and repair and maintenance decreased by \$150 thousand from the prior year. When factoring these expenses out, all other operating expenses increased by 4.2 percent from the prior year. General and administrative costs remained relatively the same as the prior year. Salaries and fringe benefits increased by 14.7 percent, or \$710 thousand, from the prior year mainly related to wage increases, pension costs, and retiree health care prefunding. Contributions of water lines from developers are significantly higher than prior year.

**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 \$530 and \$610 for current residents, respectively, and between \$560 and \$640 for incoming residents, respectively, during the fiscal year ended March 31, 2018.

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, 2017, and 2018 a subsidy was not necessary. During the year the Building Authority refunding bonds - series 1998 were paid off. Remaining debt principal related to the 2010 Capital Improvement General Obligation bonds related to the Senior Housing fund is \$241,250.

**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.

The Sanitation Fund's net position has decreased by \$15.8 thousand. 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 is being charged to the customers beginning on April 1, 2017.

Three 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 is \$124.1 thousand as of March 31, 2018.

## **Charter Township of Clinton**

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

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

The Township's investment in capital assets devoted to its governmental activities had a \$72.9 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.

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). See Note 8 to the basic financial statements for detailed debt 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.

## Charter Township of Clinton

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# Management's Discussion and Analysis (continued)

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### **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, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 73,794,388	\$ 28,947,660	\$ 102,742,048	\$ 242,324
Receivables:				
Property taxes	2,057,446	-	2,057,446	-
Sales to customers on account	34,764	7,076,332	7,111,096	-
Other	891,501	5,643	897,144	-
Due from other governmental units	5,376,448	393,219	5,769,667	-
Special assessments - Current	-	1,292,186	1,292,186	-
Due from component units	678	-	678	-
Internal balances (Note 6)	(655,595)	655,595	-	-
Inventory	-	296,849	296,849	-
Prepaid expenses and other assets	853,359	27,754	881,113	-
Restricted assets (Note 8)	-	3,262,831	3,262,831	-
Investment in joint ventures (Note 11)	557,098	124,113	681,211	-
Due from fiduciary funds	1,038,942	-	1,038,942	-
Net OPEB asset (Note 15)	14,147,397	-	14,147,397	-
Capital assets:				
Assets not subject to depreciation (Note 5)	3,916,096	12,617,478	16,533,574	-
Assets subject to depreciation - Net (Note 5)	37,947,523	165,854,447	203,801,970	720,571
Special assessment - Net of current portion	-	179,670	179,670	-
<b>Total assets</b>	<b>139,960,045</b>	<b>220,733,777</b>	<b>360,693,822</b>	<b>962,895</b>
<b>Deferred Outflows of Resources</b>				
Deferred charges on bond refunding	-	174,070	174,070	-
Deferred pension costs (Note 13)	32,542,633	472,420	33,015,053	-
<b>Total deferred outflows of resources</b>	<b>32,542,633</b>	<b>646,490</b>	<b>33,189,123</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	883,520	3,700,723	4,584,243	2,245
Due to primary government	-	-	-	678
Accrued liabilities and other	1,083,576	168,827	1,252,403	-
Unearned revenue (Note 16)	8,200	403,895	412,095	-
Noncurrent liabilities: (Note 7)				
Due within one year:				
Compensated absences - Less than one year	933,029	72,463	1,005,492	-
Current portion of long-term debt	1,372,083	3,672,592	5,044,675	-
Due in more than one year:				
Compensated absences	2,177,065	169,081	2,346,146	-
Refundable bonds and deposits	-	572,398	572,398	-
Net pension liability (Note 13)	91,945,178	8,621,215	100,566,393	-
Long-term debt	13,255,448	65,310,557	78,566,005	-
<b>Total liabilities</b>	<b>111,658,099</b>	<b>82,691,751</b>	<b>194,349,850</b>	<b>2,923</b>
<b>Deferred Inflows of Resources - Deferred pension cost reductions</b>	<b>5,219,388</b>	<b>419,970</b>	<b>5,639,358</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	27,236,088	112,911,221	140,147,309	720,571
Restricted:				
Fire department services	1,742,860	-	1,742,860	-
Street light services	472,774	-	472,774	-
Drug forfeiture activities	173,091	-	173,091	-
Debt service	3,338,730	-	3,338,730	-
Bond covenants (Note 8)	-	612,900	612,900	-
Drainage services	300,465	-	300,465	-
DEA task force	102,571	-	102,571	-
Transportation	100,000	-	100,000	-
Capital projects	-	2,233,237	2,233,237	-
Unrestricted	22,158,612	22,511,188	44,669,800	239,401
<b>Total net position</b>	<b>\$ 55,625,191</b>	<b>\$ 138,268,546</b>	<b>\$ 193,893,737</b>	<b>\$ 959,972</b>

See notes to financial statements.

# 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	\$ 4,080,532	\$ 221,206	\$ 1,570,741	\$ -
Public safety	44,109,358	2,121,039	112,764	23,553
Public works	5,182,680	622,815	-	-
Community and economic development	1,225,966	-	-	-
Recreation and culture	3,880,095	869,811	-	-
Interest on long-term debt	568,745	-	-	-
Total governmental activities	59,047,376	3,834,871	1,683,505	23,553
Business-type activities:				
Water and Sewer Fund	42,894,743	43,319,082	41,165	1,276,717
Senior Housing Fund	1,392,775	2,211,882	-	-
Sanitation Fund	4,228,156	4,069,446	-	-
Special Assessment Fund	507,682	441,752	-	-
Total business-type activities	49,023,356	50,042,162	41,165	1,276,717
Total primary government	<b>\$ 108,070,732</b>	<b>\$ 53,877,033</b>	<b>\$ 1,724,670</b>	<b>\$ 1,300,270</b>
Component units:				
Economic Development Corporation	\$ 1,517	\$ -	\$ -	\$ -
Downtown Development Authority	66,498	-	-	-
Total component units	<b>\$ 68,015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Other miscellaneous income				
Gain on sale of capital assets				
Income from joint venture (not directly allocated)				
Total general revenue				
<b>Transfers (Note 6)</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, 2018

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	
\$ (2,288,585)	\$ -	\$ (2,288,585)	\$ -	-
(41,852,002)	-	(41,852,002)	-	-
(4,559,865)	-	(4,559,865)	-	-
(1,225,966)	-	(1,225,966)	-	-
(3,010,284)	-	(3,010,284)	-	-
(568,745)	-	(568,745)	-	-
(53,505,447)	-	(53,505,447)	-	-
-	1,742,221	1,742,221	-	-
-	819,107	819,107	-	-
-	(158,710)	(158,710)	-	-
-	(65,930)	(65,930)	-	-
-	2,336,688	2,336,688	-	-
(53,505,447)	2,336,688	(51,168,759)	-	-
-	-	-	(1,517)	-
-	-	-	(66,498)	-
-	-	-	(68,015)	-
40,887,376	-	40,887,376	88,556	-
8,669,283	-	8,669,283	-	-
255,774	294,363	550,137	1,373	-
3,204,474	-	3,204,474	-	-
202,296	87,037	289,333	-	-
-	(233,000)	(233,000)	-	-
53,219,203	148,400	53,367,603	89,929	-
(940,000)	940,000	-	-	-
(1,226,244)	3,425,088	2,198,844	21,914	-
56,851,435	134,843,458	191,694,893	938,058	-
<b>\$ 55,625,191</b>	<b>\$ 138,268,546</b>	<b>\$ 193,893,737</b>	<b>\$ 959,972</b>	-

# Charter Township of Clinton

## Governmental Funds Balance Sheet

March 31, 2018

	General Fund	Fire Fund	Police Fund	Court Building Debt Service Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>						
Cash and investments (Note 3)	\$ 20,004,362	\$ 20,190,159	\$ 31,811,008	\$ -	\$ 1,788,859	\$ 73,794,388
Receivables:						
Property taxes	409,822	722,573	870,344	-	54,707	2,057,446
Sales to customers on account	-	-	-	-	34,764	34,764
Other	652,876	2,371	162,815	-	73,439	891,501
Due from other governmental units	1,998,701	-	-	3,323,100	54,647	5,376,448
Due from component units (Note 6)	678	-	-	-	-	678
Due from other funds (Note 6)	89,550	-	-	-	-	89,550
Prepaid expenses and other assets	780,624	5,229	66,756	750	-	853,359
Due from fiduciary funds	1,038,942	-	-	-	-	1,038,942
<b>Total assets</b>	<b>\$ 24,975,555</b>	<b>\$ 20,920,332</b>	<b>\$ 32,910,923</b>	<b>\$ 3,323,850</b>	<b>\$ 2,006,416</b>	<b>\$ 84,137,076</b>
<b>Liabilities</b>						
Accounts payable	\$ 368,093	\$ 155,587	\$ 240,848	\$ -	\$ 118,992	\$ 883,520
Due to other funds (Note 6)	655,595	-	-	750	88,800	745,145
Accrued liabilities and other	223,872	257,416	395,899	-	1,873	879,060
Unearned revenue	8,200	-	-	-	-	8,200
<b>Total liabilities</b>	<b>1,255,760</b>	<b>413,003</b>	<b>636,747</b>	<b>750</b>	<b>209,665</b>	<b>2,515,925</b>
<b>Deferred Inflows of Resources</b>						
Long-term debt paid by other governments (Note 16)	-	-	-	3,323,100	-	3,323,100
Unavailable revenue	658,481	-	-	-	-	658,481
<b>Total deferred inflows of resources</b>	<b>658,481</b>	<b>-</b>	<b>-</b>	<b>3,323,100</b>	<b>-</b>	<b>3,981,581</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>1,914,241</b>	<b>413,003</b>	<b>636,747</b>	<b>3,323,850</b>	<b>209,665</b>	<b>6,497,506</b>
<b>Fund Balances</b>						
Nonspendable - Prepays	780,624	5,229	66,756	-	-	852,609
Restricted:						
Drainage	-	-	-	-	300,465	300,465
Police (\$16,278,521 for 2019 operations)	-	-	32,207,420	-	102,571	32,309,991
Fire (\$13,539,377 for 2019 operations and \$1,742,860 for equipment replacement)	-	20,502,100	-	-	-	20,502,100
Debt service	-	-	-	-	15,630	15,630
Drug forfeiture	-	-	-	-	173,091	173,091
Street lighting	-	-	-	-	472,774	472,774
Transportation	-	-	-	-	100,000	100,000
Assigned:						
Subsequent year's budget	1,332,245	-	-	-	-	1,332,245
Workers' compensation claims	250,000	-	-	-	-	250,000
Capital projects	-	-	-	-	632,220	632,220
Unassigned	20,698,445	-	-	-	-	20,698,445
<b>Total fund balances</b>	<b>23,061,314</b>	<b>20,507,329</b>	<b>32,274,176</b>	<b>-</b>	<b>1,796,751</b>	<b>77,639,570</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 24,975,555</b>	<b>\$ 20,920,332</b>	<b>\$ 32,910,923</b>	<b>\$ 3,323,850</b>	<b>\$ 2,006,416</b>	<b>\$ 84,137,076</b>

**Governmental Funds**

**Reconciliation of the Balance Sheet to the Statement of Net Position**

**March 31, 2018**

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 77,639,570</b>
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	41,863,619
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	3,981,581
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	32,542,633
Investments in joint ventures are not financial resources and are not reported in the funds	557,098
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(14,627,531)
Accrued interest is not due and payable in the current period and is not reported in the funds	(25,965)
Some employee fringe benefits 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:	
Employee compensated absences	(3,110,094)
Pension benefits	(91,945,178)
Funding of retiree healthcare benefits in excess of actuarially required contributions and adjustments	14,147,397
Total employee fringe benefits not reported as fund liabilities	(80,907,875)
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 fund	(5,219,388)
Accrued workers' compensation liability is not reported in the governmental funds	(178,551)
<b>Net Position of Governmental Activities</b>	<b>\$ 55,625,191</b>

# Charter Township of Clinton

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances

**Year Ended March 31, 2018**

	General Fund	Fire Fund	Police Fund	Court Building Debt Service	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>						
Property taxes	\$ 2,451,258	\$ 16,613,096	\$ 19,978,252	\$ -	\$ 1,777,609	\$ 40,820,215
Licenses and permits	1,564,091	-	-	-	-	1,564,091
Intergovernmental:						
Federal sources	314,557	4,429	48,492	-	437,888	805,366
State-shared revenue and grants	8,716,584	53,732	164,032	-	26,092	8,960,440
Fines and forfeitures	-	-	-	-	145,729	145,729
Licenses and permits	-	-	57,133	-	-	57,133
Interest	132,493	109,797	189,673	-	13,044	445,007
Other revenue:						
Local donations	430,782	-	-	885,280	-	1,316,062
Other miscellaneous income	4,143,424	26,813	457,387	-	132,814	4,760,438
Total revenue	<u>17,753,189</u>	<u>16,807,867</u>	<u>20,894,969</u>	<u>885,280</u>	<u>2,533,176</u>	<u>58,874,481</u>
<b>Expenditures</b>						
Current:						
General government	5,004,317	-	-	-	490,090	5,494,407
Public safety	1,740,779	16,509,817	20,813,328	-	103,677	39,167,601
Public works	5,027,273	-	-	-	687,701	5,714,974
Community and economic development	789,657	-	-	-	437,888	1,227,545
Recreation and culture	3,335,160	-	-	-	-	3,335,160
Debt service:						
Principal	87,500	630,000	-	550,000	1,726,691	2,994,191
Interest on long-term debt	62,925	106,363	-	335,280	70,377	574,945
Total expenditures	<u>16,047,611</u>	<u>17,246,180</u>	<u>20,813,328</u>	<u>885,280</u>	<u>3,516,424</u>	<u>58,508,823</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	1,705,578	(438,313)	81,641	-	(983,248)	365,658
<b>Other Financing Sources (Uses)</b>						
Transfers in (Note 6)	-	-	125,000	-	687,231	812,231
Transfers out (Note 6)	(1,627,231)	-	-	-	(125,000)	(1,752,231)
Proceeds from sale of capital assets	161,399	9,147	11,745	-	20,005	202,296
Total other financing (uses) sources	<u>(1,465,832)</u>	<u>9,147</u>	<u>136,745</u>	<u>-</u>	<u>582,236</u>	<u>(737,704)</u>
<b>Net Change in Fund Balances</b>	239,746	(429,166)	218,386	-	(401,012)	(372,046)
<b>Fund Balances - Beginning of year</b>	<u>22,821,568</u>	<u>20,936,495</u>	<u>32,055,790</u>	<u>-</u>	<u>2,197,763</u>	<u>78,011,616</u>
<b>Fund Balances - End of year</b>	<u><b>\$ 23,061,314</b></u>	<u><b>\$ 20,507,329</b></u>	<u><b>\$ 32,274,176</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 1,796,751</b></u>	<u><b>\$ 77,639,570</b></u>

## Charter Township of Clinton

# Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended March 31, 2018

<b>Net Change in Fund Balance Reported in Governmental Funds</b>	<b>\$ (372,046)</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	2,736,475
Depreciation expense	(2,609,465)
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	(162,535)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,994,191
Interest expense is recorded in the statement of activities when incurred; it is not reported in the governmental funds until paid	6,200
Decrease in accumulated workers' compensation accrual increases net position in the statement of activities	13,971
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	5,619,280
Pension liability is reported in the statement of activities at the time it is earned, but not in the governmental funds until paid	(9,379,443)
Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	22,408
Expense from joint ventures is not recorded in the funds	(95,280)
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (1,226,244)</u></u></b>

# Charter Township of Clinton

## Proprietary Funds Statement of Net Position

March 31, 2018

	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Nonmajor Proprietary Fund Special Assessment Fund	Total Enterprise Funds
<b>Assets</b>					
Current assets:					
Cash and investments (Note 3)	\$ 27,385,370	\$ 368,018	\$ 480,347	\$ 713,925	\$ 28,947,660
Receivables:					
Special assessments receivable - Current	-	-	-	1,292,186	1,292,186
Sales to customers on account	6,220,157	-	856,175	-	7,076,332
Other	-	5,643	-	-	5,643
Due from other governmental units	393,219	-	-	-	393,219
Due from other funds (Note 6)	204,244	-	42,959	451,351	698,554
Inventory	296,849	-	-	-	296,849
Prepaid expenses and other assets	6,162	21,592	-	-	27,754
Total current assets	34,506,001	395,253	1,379,481	2,457,462	38,738,197
Noncurrent assets:					
Restricted assets (Note 8)	3,262,831	-	-	-	3,262,831
Investment in joint ventures (Note 11)	-	-	124,113	-	124,113
Capital assets - Net (Note 5)	169,665,803	8,728,369	77,753	-	178,471,925
Special assessment - Net of current portion	-	-	-	179,670	179,670
Total noncurrent assets	172,928,634	8,728,369	201,866	179,670	182,038,539
Total assets	207,434,635	9,123,622	1,581,347	2,637,132	220,776,736
<b>Deferred Outflows of Resources</b>					
Deferred charges on bond refunding (Note 16)	174,070	-	-	-	174,070
Deferred pension costs (Note 13)	472,420	-	-	-	472,420
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	3,354,167	48,582	297,974	-	3,700,723
Due to other funds (Note 6)	42,959	-	-	-	42,959
Accrued liabilities and other	165,206	3,621	-	-	168,827
Unearned revenue	-	-	-	403,895	403,895
Compensated absences - Less than one year	72,463	-	-	-	72,463
Current portion of long-term debt (Note 7)	3,659,467	13,125	-	-	3,672,592
Total current liabilities	7,294,262	65,328	297,974	403,895	8,061,459
Noncurrent liabilities:					
Compensated absences	169,081	-	-	-	169,081
Net pension liability (Note 13)	8,621,215	-	-	-	8,621,215
Long-term debt (Note 7)	65,082,432	228,125	-	-	65,310,557
Refundable bonds and deposits	468,602	103,796	-	-	572,398
Total noncurrent liabilities	74,341,330	331,921	-	-	74,673,251
Total liabilities	81,635,592	397,249	297,974	403,895	82,734,710
<b>Deferred Inflows of Resources</b> - Deferred inflows of resources related to pension (Note 13)					
	419,970	-	-	-	419,970
<b>Net Position</b>					
Net investment in capital assets	104,346,349	8,487,119	77,753	-	112,911,221
Restricted:					
Bond covenants	612,900	-	-	-	612,900
Capital projects	-	-	-	2,233,237	2,233,237
Unrestricted	21,066,314	239,254	1,205,620	-	22,511,188
Total net position	<u>\$ 126,025,563</u>	<u>\$ 8,726,373</u>	<u>\$ 1,283,373</u>	<u>\$ 2,233,237</u>	<u>\$ 138,268,546</u>

# Charter Township of Clinton

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position

**Year Ended March 31, 2018**

	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Nonmajor Proprietary Fund Special Assessment Fund	Total Enterprise Funds
<b>Operating Revenue</b>					
Charges for sales and services	\$ 42,120,512	\$ -	\$ 4,069,016	\$ 441,752	\$ 46,631,280
Rent	-	2,192,681	-	-	2,192,681
Other	514,999	19,201	430	-	534,630
Total operating revenue	42,635,511	2,211,882	4,069,446	441,752	49,358,591
<b>Operating Expenses</b>					
Cost of water and sewage disposal	21,495,280	-	-	-	21,495,280
Operation and maintenance	6,576,203	918,484	4,198,760	507,682	12,201,129
General and administrative	2,146,590	-	-	-	2,146,590
Salaries and fringe benefits	5,539,028	-	-	-	5,539,028
Depreciation	4,782,226	428,010	29,396	-	5,239,632
Total operating expenses	40,539,327	1,346,494	4,228,156	507,682	46,621,659
<b>Operating Income (Loss)</b>	2,096,184	865,388	(158,710)	(65,930)	2,736,932
<b>Nonoperating Revenue (Expense)</b>					
Investment income	231,949	1,869	2,959	57,586	294,363
Other nonoperating expense	(233,000)	-	-	-	(233,000)
Interest expense	(2,032,523)	(46,281)	-	-	(2,078,804)
Bond issuance costs	(322,893)	-	-	-	(322,893)
Gain on disposal of assets	87,037	-	-	-	87,037
Debt, capital charges, and tap fees	683,571	-	-	-	683,571
Federal interest subsidy	41,165	-	-	-	41,165
Total nonoperating (expenses) revenue	(1,544,694)	(44,412)	2,959	57,586	(1,528,561)
<b>Income (Loss) - Before contributions</b>	551,490	820,976	(155,751)	(8,344)	1,208,371
<b>Capital Contributions - Lines donated by developers</b>	1,276,717	-	-	-	1,276,717
<b>Transfers in from Other Funds (Note 6)</b>	-	-	-	940,000	940,000
<b>Change in Net Position</b>	1,828,207	820,976	(155,751)	931,656	3,425,088
<b>Net Position - Beginning of year</b>	124,197,356	7,905,397	1,439,124	1,301,581	134,843,458
<b>Net Position - End of year</b>	<b>\$ 126,025,563</b>	<b>\$ 8,726,373</b>	<b>\$ 1,283,373</b>	<b>\$ 2,233,237</b>	<b>\$ 138,268,546</b>

# Charter Township of Clinton

## Proprietary Funds Statement of Cash Flows

Year Ended March 31, 2018

	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Nonmajor Proprietary Fund Special Assessment Fund	Total Enterprise Funds
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 40,499,379	\$ 2,212,370	\$ 4,255,212	\$ (83,597)	\$ 46,883,364
Internal activity - Payments to other funds	-	-	-	(754)	(754)
Payments to suppliers	(29,881,854)	(924,339)	(3,929,153)	(523,426)	(35,258,772)
Payments to employees	(5,004,936)	-	(245,953)	-	(5,250,889)
Net cash provided by (used in) operating activities	5,612,589	1,288,031	80,106	(607,777)	6,372,949
<b>Cash Flows from Noncapital Financing Activities</b> - Transfers from other funds	-	-	-	940,000	940,000
<b>Cash Flows from Capital and Related Financing Activities</b>					
Proceeds from sale of capital assets	115,014	-	-	-	115,014
Purchase of capital assets	(14,177,409)	(6,798)	-	-	(14,184,207)
Proceeds from (principal, issuance costs, and interest paid on) capital debt	9,734,084	(1,244,540)	-	-	8,489,544
Collection of debt, capital charges, and tap fees	683,571	-	-	-	683,571
Net cash used in capital and related financing activities	(3,644,740)	(1,251,338)	-	-	(4,896,078)
<b>Cash Flows from Investing Activities</b> - Interest received on investments	231,949	1,869	2,959	57,586	294,363
<b>Net Increase in Cash and Cash Equivalents</b>	2,199,798	38,562	83,065	389,809	2,711,234
<b>Cash and Cash Equivalents</b> - Beginning of year	25,185,572	329,456	397,282	324,116	26,236,426
<b>Cash and Cash Equivalents</b> - End of year	<u>\$ 27,385,370</u>	<u>\$ 368,018</u>	<u>\$ 480,347</u>	<u>\$ 713,925</u>	<u>\$ 28,947,660</u>
<b>Statement of Net Position Classification of Cash and Cash Equivalents</b> - Cash and investments per statement of net position	<u>\$ 27,385,370</u>	<u>\$ 368,018</u>	<u>\$ 480,347</u>	<u>\$ 713,925</u>	<u>\$ 28,947,660</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ 2,096,184	\$ 865,388	\$ (158,710)	\$ (65,930)	\$ 2,736,932
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	4,782,226	428,010	29,396	-	5,239,632
Changes in assets and liabilities:					
Receivables	(2,136,132)	488	185,766	(525,349)	(2,475,227)
Due to other funds	-	-	-	(754)	(754)
Inventories	305,095	-	-	-	305,095
Investments in joint ventures	-	-	22,926	-	22,926
Prepaid and other assets	(6,162)	(306)	-	-	(6,468)
Accrued and other liabilities	534,092	-	-	-	534,092
Accounts payable	37,286	(5,549)	728	(15,744)	16,721
Net cash provided by (used in) operating activities	<u>\$ 5,612,589</u>	<u>\$ 1,288,031</u>	<u>\$ 80,106</u>	<u>\$ (607,777)</u>	<u>\$ 6,372,949</u>
<b>Significant Noncash Investing and Financing Transactions</b> - Contribution of capital assets from developers and other funds	\$ 1,276,717	\$ -	\$ -	\$ -	\$ 1,276,717

**Charter Township of Clinton**

**Fiduciary Funds  
Statement of Net Position**

**March 31, 2018**

	<u>Pension and Other Employee Benefit Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,857,770	\$ 1,141,160
Investments:		
Bank investment pools and money market funds	6,964,501	-
U.S. Treasury securities	1,615,840	-
Asset-backed securities	6,339,593	-
Municipal bonds	30,079	-
Corporate bonds	4,922,319	-
Foreign bonds	728,211	-
Domestic stock	23,097,675	-
Foreign stock	3,307,622	-
Mutual funds	78,009,160	-
Real estate investment trusts	3,850,016	-
Limited partnerships	31,353,256	-
Hedge funds	7,425,101	-
Securities lending - Mutual funds	5,903,064	-
Receivables	13,945	-
Prepaid expenses and other assets	930,437	-
Total assets	176,348,589	<u><u>\$ 1,141,160</u></u>
<b>Liabilities</b>		
Accounts payable	208,618	\$ 214,905
Due to other funds	1,038,942	-
Refundable deposits, bonds, etc.	-	926,255
Obligations under securities lending agreements	5,903,064	-
Total liabilities	<u>7,150,624</u>	<u><u>\$ 1,141,160</u></u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<u><u>\$ 169,197,965</u></u>	

Fiduciary Funds  
Statement of Changes in Net Position

Year Ended March 31, 2018

	<u>Pension and Other Employee Benefit Trust Funds</u>
<b>Additions</b>	
Investment income (loss):	
Interest and dividends	\$ 4,018,747
Net increase in fair value of investments	7,963,559
Investment-related expenses	<u>(728,141)</u>
Net investment income	11,254,165
Securities lending income - Interest and fees	3,664
Contributions:	
Employer	14,962,931
Employee	<u>1,579,941</u>
Total contributions	<u>16,542,872</u>
Total additions	27,800,701
<b>Deductions</b>	
Benefit payments and annuity withdrawals	14,457,200
Administrative expenses	<u>252,390</u>
Total deductions	<u>14,709,590</u>
<b>Net Increase in Net Position Held in Trust</b>	13,091,111
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	<u>156,106,854</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<u><b>\$ 169,197,965</b></u>

**Charter Township of Clinton**

**Component Units  
Statement of Net Position**

**March 31, 2018**

	Economic Development Corporation	Downtown Development Authority	Total
<b>Assets</b>			
Cash and investments (Note 3)	\$ 98,927	\$ 143,397	\$ 242,324
Capital assets being depreciated - Net (Note 5)	-	720,571	720,571
Total assets	98,927	863,968	962,895
<b>Liabilities</b>			
Accounts payable	-	2,245	2,245
Due to primary government (Note 6)	-	678	678
Total liabilities	-	2,923	2,923
<b>Net Position</b>			
Net investment in capital assets	-	720,571	720,571
Unrestricted	98,927	140,474	239,401
Total net position	<u>\$ 98,927</u>	<u>\$ 861,045</u>	<u>\$ 959,972</u>

# Charter Township of Clinton

## Component Units Statement of Activities

Year Ended March 31, 2018

	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Economic Development Corporation	Downtown Development Authority	Total
<b>Functions/Programs</b>							
Economic Development Corporation	\$ 1,517	\$ -	\$ -	\$ -	\$ (1,517)	\$ -	\$ (1,517)
Downtown Development Authority	66,498	-	-	-	-	(66,498)	(66,498)
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 68,015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(1,517)</b>	<b>(66,498)</b>	<b>(68,015)</b>
General revenue:							
Property taxes					-	88,556	88,556
Investment income					1,373	-	1,373
Total general revenue					1,373	88,556	89,929
<b>Change in Net Position</b>					(144)	22,058	21,914
<b>Net Position - Beginning of year</b>					99,071	838,987	938,058
<b>Net Position - End of year</b>					<b>\$ 98,927</b>	<b>\$ 861,045</b>	<b>\$ 959,972</b>

**Note 1 - Significant Accounting Policies**

***Accounting and Reporting Principles***

Charter Township of Clinton (the "Township") follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. 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 and No. 80, 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 Units**

***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's 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.

***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.

**Note 1 - Significant Accounting Policies (Continued)**

***Report Presentation***

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 for goods, services, or privileges provided and (2) operating 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.

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

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, if any, are reported as separate columns in the fund financial statements.

***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.

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.

**Note 1 - 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.

***Fund Accounting***

**Governmental Funds**

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Fire Special Revenue Fund accounts for the resources from property tax revenue that are restricted for all of the activities of the Township's fire department.
- The Police Special Revenue Fund accounts for the resources from property tax revenue that are restricted for all of the activities of the Township's police department.
- The 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.

**Proprietary Funds**

The Township reports the following major proprietary funds:

- The Water and Sewer Fund provides water to customers and disposes of sanitary sewage in exchange for monthly user charges.
- 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.

***Specific Balances and Transactions***

**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.

**Note 1 - 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.

**Restricted Assets**

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

**Fund Equity**

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

- Nonspendable - Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purposes.
- 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.

**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 acquisition 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, \$68,450 of interest expense was capitalized as part of the cost of assets under construction.

**Note 1 - Significant Accounting Policies (Continued)**

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

	<u>Depreciable Life - Years</u>
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

**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.

**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 and deferred charges on bond refunding.

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).

**Net Position Flow Assumption**

The Township will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Note 1 - Significant Accounting Policies (Continued)**

**Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The Township itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Township has, by resolution, authorized the finance director to assign fund balance. The board of trustees may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**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 2017 taxable valuation (real and personal property) of the Township totaled \$2,738,647,041, on which ad valorem taxes levied consisted of 0.8166 mills for the Township's operating purposes, 2.2069 mills for fire operating purposes, 2.4762 mills for police operating purposes, and 0.4700 mills for the retirement of police building debt. The ad valorem taxes generated \$2,236,379 for general operations, \$6,043,920 for fire operations, \$6,781,438 for police operations, and \$1,287,164 for police building debt retirement. The 2017 real property taxable valuation of the Township totaled \$2,593,968,541, on which special assessments levied consisted of 5 mills for police operations and 4 mills for fire operations. The special assessment levies generated \$12,969,843 for police operations and \$10,375,874 for fire operations. The industrial facilities tax roll generated \$6,188 for general operations, \$35,621 for police operations, \$30,209 for fire operations, and \$3,561 for police building debt retirement. These amounts are recorded in their respective funds as tax revenue.

**Pension**

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 purpose 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 it is 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.

**Note 1 - Significant Accounting Policies (Continued)**

**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 under or overpaid amount, if any.

**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). In the event of a liquidation of compensated absence obligations, the assets of the fund responsible for paying an employees personnel costs will be utilized to meet the obligation.

**Proprietary Funds Operating Classification**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds is charges to customers for sales or services. Operating expenses for these funds include the cost of sales or services, administrative expenses, and may include depreciation on capital assets. All revenue and expenses not meeting this definition is reported as nonoperating revenue and expenses.

**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.

**Adoption of New Accounting Pronouncement**

As of March 31, 2018, the Township adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. This new accounting standard addresses reporting by postemployment benefit plans other than pensions (OPEB) that administer defined benefit OPEB benefits on behalf of governments. 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.

**Upcoming Accounting Pronouncements**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Township to recognize on the face of the financial statements its net OPEB liability. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The standard will have a significant impact on the Township's reported net position. The provisions of this statement are effective for the Township's financial statements for the year ending March 31, 2019.

**Note 1 - Significant Accounting Policies (Continued)**

In November 2016, the Governmental Accounting Standards Board issued GASB 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 Governmental Accounting Standards Board 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 June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires 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.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the Township's financial statements for the March 31, 2021 fiscal year.

**March 31, 2018**

**Note 2 - Stewardship, Compliance, and Accountability**

**Construction Code Fees**

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:

	Fiscal Year 2018 Building Department Activity
Cumulative expenditures over revenue - April 1, 2017	\$ (5,295,000)
Plus permit revenue	1,564,000
Less expenditures	<u>(1,738,000)</u>
Cumulative expenditures over revenue - March 31, 2018	<u>\$ (5,469,000)</u>

**Note 3 - 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 law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Township has designated 13 financial institutions for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority, as listed above.

The Fire and Police Pension Fund is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), 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.

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, 2018 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, 2018, the Fire and Police Pension System had no credit risk exposure to borrowers.

**Note 3 - Deposits and Investments (Continued)**

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

***Custodial Credit Risk of 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 prequalification 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 \$102 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 Healthcare 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.

***Interest Rate Risk***

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

At year end, the Township had the following investments and maturities:

Investment Type	Fair Value of Township Investments and Pension Trust Funds	Less Than 1 Year	1 to 5 Years	6 to 10 Years	Greater Than 10 Years
Bank investment pool	\$ 6,964,507	\$ 6,964,507	\$ -	\$ -	\$ -
U.S. Treasury securities	1,615,840	-	135,411	272,999	1,207,430
Asset-backed securities	6,339,593	1,310	1,299,914	142,056	4,896,313
Municipal bonds	30,079	-	-	30,079	-
Corporate bonds	4,922,319	135,122	1,962,653	1,528,059	1,296,485
Foreign bonds	728,211	124,367	402,152	117,805	83,887
Total	\$ 20,600,549	\$ 7,225,306	\$ 3,800,130	\$ 2,090,998	\$ 7,484,115

**Note 3 - Deposits and Investments (Continued)**

**Credit Risk**

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

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 6,964,507	Not Rated	Standard & Poor's
U.S. Treasury securities	1,615,840	AAA	Standard & Poor's
Asset-backed securities	6,339,593	Not Rated to AAA	Standard & Poor's
Municipal bonds	30,079	A	Standard & Poor's
Corporate bonds	4,922,319	Not Rated to AAA	Standard & Poor's
Foreign bonds	728,211	BB- to A+	Standard & Poor's
<b>Total</b>	<b>\$ 20,600,549</b>		

**Concentration of Credit Risk**

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

**Foreign Currency Risk**

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

Security	Fair Value	Foreign Currency
Limited Partnership	\$ 576,990	Mexican peso
Limited Partnership	393,162	Swedish krona
Limited Partnership	375,131	Norwegian krone
Limited Partnership	530,813	Japanese yen
Limited Partnership	291,573	Malaysian ringgit
Limited Partnership	259,909	South African rand
Limited Partnership	207,136	Brazilian real
Limited Partnership	230,004	Polish zloty
Limited Partnership	437,140	British pound sterling
Limited Partnership	138,970	Australian dollar

**Securities Lending**

As permitted by some state statutes and under the provisions of a Securities Lending Authorization Agreement, the pension system lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The retirement 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, 2018, only United States currency was received as collateral. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

**Note 3 - Deposits and Investments (Continued)**

The 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 custodial bank.

The 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, 2018 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, 2018, the retirement system had no credit risk exposure to borrowers. The collateral held on loans for the pension system as of March 31, 2018 was \$5,903,064.

**Note 4 - Fair Value Measurements**

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Township has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

Investments that are measured at fair value using 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.

March 31, 2018

**Note 4 - Fair Value Measurements (Continued)**

The Township has the following recurring fair value measurements as of March 31, 2018:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2018
<b>Investments by Fair Value Level</b>				
Debt securities:				
U.S. Treasury securities	\$ -	\$ 1,615,840	\$ -	\$ 1,615,840
Asset-backed securities	-	6,339,593	-	6,339,593
Corporate bonds	-	4,922,319	-	4,922,319
Foreign bonds	-	728,211	-	728,211
Municipal bonds	-	30,079	-	30,079
Total debt securities	-	13,636,042	-	13,636,042
Equity securities:				
Mutual funds	83,912,239	-	-	83,912,239
Domestic stock	23,097,672	-	-	23,097,672
Foreign stock	3,307,622	-	-	3,307,622
Total equity securities	110,317,533	-	-	110,317,533
Alternative investments:				
Limited partnerships	-	-	21,369,096	21,369,096
Hedge funds	-	-	1,423,509	1,423,509
Total alternative investments	-	-	22,792,605	22,792,605
Total investments by fair value level	<u>\$ 110,317,533</u>	<u>\$ 13,636,042</u>	<u>\$ 22,792,605</u>	146,746,180
Investments measured at NAV:				
Limited partnerships				9,984,160
Real estate investment trusts				3,850,016
Hedge funds				6,001,592
Total investments measured at NAV				<u>19,835,768</u>
Total investments measured at fair value				<u>\$ 166,581,948</u>

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

The fair value of the Township's debt securities at March 31, 2018 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, 2018 was determined primarily based on Level 3 inputs. The Township estimates the fair value of these investments using audited financial statements of the investments.

**Note 4 - Fair Value Measurements (Continued)**

***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, 2018, the fair value, unfunded commitments, and redemption rules of those investments is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Limited partnerships	\$ 9,984,160	\$ -	Quarterly	90 - 95 days
Real estate investment trusts	3,850,016	-	Quarterly	45 days
Hedge funds	6,001,592	-	Quarterly	90 days
Total investments measured at NAV	<u>\$ 19,835,768</u>	<u>\$ -</u>		

The limited partnership class includes three 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, postreorganizational 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 third fund invests in U.S. fixed-income instruments and non-U.S. sovereign debt. This fund concentrates its investments in securities of countries having the best value in the form of high real interest rates.

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 net asset value of the Township's ownership interest in partners' capital.

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.

There were no redemption limitation or other restrictions on these investments as of March 31, 2018.

March 31, 2018

**Note 5 - Capital Assets**

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

**Governmental Activities**

	Balance April 1, 2017	Additions	Disposals	Balance March 31, 2018
Capital assets not being depreciated				
- Land	\$ 3,916,096	\$ -	\$ -	\$ 3,916,096
Capital assets being depreciated:				
Buildings and improvements	44,068,080	69,614	-	44,137,694
Operating equipment	6,196,411	708,418	(444,956)	6,459,873
Vehicles	7,176,638	576,741	(355,668)	7,397,711
Office furniture and equipment	5,216,394	387,859	(559,535)	5,044,718
Land improvements	5,716,311	283,234	-	5,999,545
Infrastructure assets	3,154,101	710,609	-	3,864,710
Subtotal	71,527,935	2,736,475	(1,360,159)	72,904,251
Accumulated depreciation:				
Buildings and improvements	17,546,819	1,136,051	-	18,682,870
Operating equipment	4,691,155	302,980	(444,956)	4,549,179
Vehicles	4,094,067	597,287	(355,668)	4,335,686
Office furniture and equipment	4,652,969	233,430	(559,535)	4,326,864
Land improvements	2,206,024	276,635	-	2,482,659
Infrastructure assets	516,388	63,082	-	579,470
Subtotal	33,707,422	2,609,465	(1,360,159)	34,956,728
Net capital assets being depreciated	37,820,513	127,010	-	37,947,523
Net governmental activities capital assets	\$ 41,736,609	\$ 127,010	\$ -	\$ 41,863,619

March 31, 2018

**Note 5 - Capital Assets (Continued)**

**Business-type Activities**

	Balance April 1, 2017	Additions	Transfers from Construction in Progress	Disposals and Adjustments	Balance March 31, 2018
Capital assets not being depreciated:					
Land	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
Construction in progress	24,780,478	14,340,924	(27,473,948)	(29,976)	11,617,478
Subtotal	25,780,478	14,340,924	(27,473,948)	(29,976)	12,617,478
Capital assets being depreciated:					
Structures, mains, and laterals	217,932,717	192,793	27,473,948	(233,000)	245,366,458
Meters	4,914,526	305,095	-	-	5,219,621
Buildings and improvements	15,926,975	6,798	-	-	15,933,773
Equipment	4,089,409	57,969	-	-	4,147,378
Vehicles	2,800,549	541,666	-	(432,010)	2,910,205
Furniture and fixtures	676,451	17,679	-	(93,630)	600,500
Land improvements	349,173	-	-	-	349,173
Subtotal	246,689,800	1,122,000	27,473,948	(758,640)	274,527,108
Accumulated depreciation:					
Structures, mains, and laterals	85,982,102	4,083,318	-	-	90,065,420
Meters	4,108,518	100,922	-	-	4,209,440
Buildings and improvements	7,839,735	404,732	-	-	8,244,467
Equipment	2,797,584	372,568	-	-	3,170,152
Vehicles	2,315,026	224,708	-	(432,009)	2,107,725
Furniture and fixtures	628,871	30,106	-	(93,632)	565,345
Land improvements	286,834	23,278	-	-	310,112
Subtotal	103,958,670	5,239,632	-	(525,641)	108,672,661
Net capital assets being depreciated	142,731,130	(4,117,632)	27,473,948	(232,999)	165,854,447
Net business-type activity capital assets	<u>\$ 168,511,608</u>	<u>\$ 10,223,292</u>	<u>\$ -</u>	<u>\$ (262,975)</u>	<u>\$ 178,471,925</u>

**Component Units**

	Balance April 1, 2017	Additions	Disposals and Adjustments	Balance March 31, 2018
Capital assets being depreciated - Land improvements	\$ 883,772	\$ -	\$ -	\$ 883,772
Accumulated depreciation - Land improvements	138,428	24,773	-	163,201
Net capital assets being depreciated	<u>\$ 745,344</u>	<u>\$ (24,773)</u>	<u>\$ -</u>	<u>\$ 720,571</u>

Construction in progress includes:

- \$2,880,315 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 8 for additional information.

**March 31, 2018**

**Note 5 - Capital Assets (Continued)**

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

Governmental activities:		
General government		\$ 487,324
Public safety		1,324,384
Public works		160,069
Recreation and senior activities		326,967
Infrastructure assets constructed by special assessment fund		<u>310,721</u>
Total governmental activities		<u>\$ 2,609,465</u>
Business-type activities:		
Water and sewer		\$ 4,782,226
Sanitation		29,396
Senior housing		<u>428,010</u>
Total business-type activities		<u>\$ 5,239,632</u>

**Note 6 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Other nonmajor funds	\$ 89,550
Sanitation Fund	Water and Sewer Fund	42,959
Water and Sewer Fund	General Fund	204,244
Other nonmajor funds	General Fund	<u>451,351</u>
	Total	<u>\$ 788,104</u>

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

Receivable	Payable	Amount
Police Fund	Other nonmajor funds (1)	\$ 125,000
Other nonmajor funds	General Fund (2)	<u>1,627,231</u>
	Total	<u>\$ 1,752,231</u>

(1) Allowable transfer of forfeiture funds.

(2) Includes a transfer from the General Fund to the Special Assessment Fund of \$940,000 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.

Receivable Fund	Payable Fund	Amount
General Fund	Downtown Development Authority	\$ 678

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.

**March 31, 2018**

**Note 7 - Long-term Debt**

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

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

Installment purchase agreements are also general obligations of the Township.

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

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

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

The Township financed a portion of a state-mandated project to construct water pollution control facilities through the Michigan State Revolving Loan Fund Program (SRF). A principal and interest payment schedule will be finalized upon completion of the project for the loan. The preliminary principal and interest payment schedule is used up to the amount of advances as of March 31, 2018. As a result, the payment schedule for the balance of the 20-year repayment period will increase as the funds are advanced.

March 31, 2018

**Note 7 - Long-term Debt (Continued)**

Long-term obligation activity for the year ended March 31, 2018 can be summarized as follows:

**Governmental Activities**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Building Authority Refunding Bonds - Series 1998:*							
Amount of issue - \$10,390,000							
Maturing through 2017	5.50%	-	\$ 315,945	\$ -	\$ (315,945)	\$ -	\$ -
Police Building Bonds - Series 1998:							
Amount of issue - \$8,000,000							
Maturing through 2018	4.00%	-	725,000	-	(725,000)	-	-
Police Building Bonds - Series 1999:							
Amount of issue - \$5,900,000							
Maturing through 2018	4.00%	-	600,000	-	(600,000)	-	-
Fire Building Refunding Bonds - Series 2011:							
Amount of issue - \$6,355,000	3.00% -	\$650,000 -					
Maturing through 2022	3.50%	\$710,000	3,345,000	-	(630,000)	2,715,000	650,000
41-B District Court Refunding Bonds - Series 2015:							
Amount of issue - \$11,447,000		\$546,000 -					
Maturing through 2031	3.15%	\$926,000	10,620,000	-	(550,000)	10,070,000	546,000
Capital Improvement Bonds - Series 2010:							
Amount of issue \$2,187,500	2.75% -	\$105,000 -					
Maturing through 2032	4.00%	\$157,500	1,776,250	-	(87,500)	1,688,750	91,875
MDOT Infrastructure Loan: Loan amount - \$477,720							
Maturing through 2019	1.00%	\$49,936	99,381	-	(49,444)	49,937	49,936
MDOT Infrastructure Loan: Loan amount - \$334,405							
Maturing through 2021	1.00%	\$34,962	137,774	-	(33,930)	103,844	34,272
Total bond/loan obligations			17,619,350	-	(2,991,819)	14,627,531	1,372,083
Other long-term obligations - Compensated absences			3,132,504	-	(22,410)	3,110,094	933,029
Total governmental activities			<u>\$20,751,854</u>	<u>\$ -</u>	<u>\$(3,014,229)</u>	<u>\$17,737,625</u>	<u>\$ 2,305,112</u>

March 31, 2018

**Note 7 - Long-term Debt (Continued)**

The Series 1998 bonds are co-funded by the General Fund and the Senior Housing Fund. See tables for breakout.

**Business-type Activities**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Building Authority Refunding Bonds - Series 1998:*							
Amount of issue - \$10,390,000							
Maturing through 2017	5.50%	-	\$ 1,159,055	\$ -	\$ (1,159,055)	\$ -	\$ -
Capital Improvement Bonds - Series 2010:							
Amount of issue -\$312,500	2.75% -						
Maturing through 2032	4.00%	-	253,750	-	(12,500)	241,250	13,125
Revenue Bonds - CWRP Project 5191-01:							
Amount of issue - \$1,405,000							
Maturing through 2024	2.13%	\$75,000 - \$85,000	560,000	-	(75,000)	485,000	75,000
Revenue Bonds - SQWIF Project 3001-01:							
Amount of issue -\$270,000							
Maturing through 2024	1.625%	\$10,000	78,471	-	(10,000)	68,471	10,000
Revenue Bonds - SRF Project 5525-01:							
Amount of issue - \$5,630,000							
Maturing through 2034	2.50%	\$220,000 - \$327,150	4,797,150	-	(215,000)	4,582,150	220,000
Revenue Bonds - SRF Project 5525-02:							
Amount of issue - \$5,035,000							
Maturing through 2035	2.50%	\$205,000	3,922,899	-	(200,000)	3,722,899	205,000
Revenue Refunding Bonds - Series 2015:							
Amount of issue - \$7,528,000							
Maturing through 2026	2.07%	\$854,000 - \$1,036,000	6,998,000	-	(869,000)	6,129,000	854,000
Revenue Bonds - SRF Project 5525-03:							
Amount of issue - \$2,575,000							
Maturing through 2036	2.50%	\$105,000 - \$160,000	1,746,694	309,587	(100,000)	1,956,281	105,000
County drain contract obligations:							
North Gratiot Interceptor Drainage District - Series 2010:							
Amount of issue -\$172,370	3.40% -	\$5,944 -					
Maturing through 2035	6.35%	\$9,906	136,074	-	(5,791)	130,283	5,944
North Gratiot Interceptor Drainage District - Series 2015:							
Amount of issue-\$1,409,785	3.75% -	\$79,658 -					
Maturing through 2033	5.00%	\$93,355	1,351,701	-	(58,499)	1,293,202	79,658
2010A OMID Drainage District (SRF):							
Amount of issue - \$2,932,468							
Maturing through 2031	2.50%	\$136,074 - \$183,869	2,200,816	-	(132,700)	2,068,116	136,074

March 31, 2018

**Note 7 - Long-term Debt (Continued)**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2010B OMID Drainage District:							
Amount of issue -\$753,472	3.45% -	\$33,175 -					
Maturing through 2030	5.90%	\$58481	\$ 566,229	\$ -	\$ (31,488)	\$ 534,741	\$ 33,175
2011 OMID Drainage District:							
Amount of issue - \$3,524,966		\$152,569 -					
Maturing through 2033	2.50%	\$220,224	3,100,398	-	(148,427)	2,951,971	152,569
2010A MID Drainage District:							
Amount of issue - \$18,226,352	1.25% -						
Maturing through 2035	5.38%	-	14,702,883	-	(14,702,883)	-	-
2011 MID Drainage District (Clintondale):							
Amount of issue - \$6,725,673		\$283,875 -					
Maturing through 2031	5.00%	\$545,915	5,557,415	-	(262,039)	5,295,376	283,875
2013A OMID Drainage District:							
Amount of issue - \$7,691,967		\$335,948 -					
Maturing through 2034	2.00%	\$461,117	7,052,530	-	(329,453)	6,723,077	335,948
2014A OMID Drainage District:							
Amount of issue - \$1,124,653	2.00% -	\$46,664 -					
Maturing through 2034	3.125%	\$73,837	1,036,826	-	(45,079)	991,747	46,634
2015 OMID Drainage District:							
Amount of issue - \$2,249,648		\$92,742 -					
Maturing through 2036	2.50%	\$141,762	2,162,206	-	(90,092)	2,072,114	92,742
2015A MID Drainage District:							
Amount of issue - \$805,071		\$32,860 -					
Maturing through 2035	2.50%	\$50,385	552,049	49,274	(31,764)	569,559	32,860
2017 MID Drainage District:							
Amount of issue - \$25,380,662		\$753,972 -					
Maturing through 2042	5.00%	\$1,563,554	-	25,380,662	(770,986)	24,609,676	753,972
<b>Total bond obligations</b>			<b>57,935,146</b>	<b>25,739,523</b>	<b>(19,249,756)</b>	<b>64,424,913</b>	<b>3,435,576</b>
Compensated absences			232,444	-	9,100	241,544	72,463
Bond issuance premium			296,028	-	4,262,208	4,558,236	237,016
Bond issuance discount			193,889	-	(193,889)	-	-
<b>Total business-type activities</b>			<b>\$ 58,657,507</b>	<b>\$ 25,739,523</b>	<b>\$(15,172,337)</b>	<b>\$ 69,224,693</b>	<b>\$ 3,745,055</b>

\*The Series 1998 bonds are co-funded by the General Fund and the Senior Housing Fund. See tables for breakout.

**Note 7 - Long-term Debt (Continued)**

**Debt Service Requirements to Maturity**

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
2019	\$ 1,372,083	\$ 465,023	\$ 1,837,106	\$ 3,435,576	\$ 2,293,036	\$ 5,728,612
2020	1,442,861	424,839	1,867,700	3,568,772	2,183,563	5,752,335
2021	1,452,212	381,343	1,833,555	3,674,056	2,069,585	5,743,641
2022	1,445,000	335,612	1,780,612	3,781,689	1,951,306	5,732,995
2023	827,000	287,438	1,114,438	4,007,953	1,827,374	5,835,327
2024-2028	4,672,750	1,017,964	5,690,714	17,706,934	7,297,603	25,004,537
2029-2033	3,415,623	225,387	3,641,010	17,446,241	4,115,210	21,561,451
2034-2038	-	-	-	7,667,336	1,454,304	9,121,640
2039-2042	-	-	-	3,136,356	401,636	3,537,992
<b>Total</b>	<b>\$ 14,627,529</b>	<b>\$ 3,137,606</b>	<b>\$ 17,765,135</b>	<b>\$ 64,424,913</b>	<b>\$ 23,593,617</b>	<b>\$ 88,018,530</b>

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 \$2,951,971.

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 \$6,723,077.

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 \$4,582,150.

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 \$2,072,114.

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 \$569,559, which includes draws of \$49,274 during the current year.

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 \$3,722,899.

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 \$1,956,281, which includes draws of \$309,587 during the current year.

**Note 7 - Long-term Debt (Continued)**

***No Commitment Debt***

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

***Revenue Bonds***

The Township has pledged certain revenue of the Water and Sewer Fund, net of operating expenses, to repay the revenue bonds disclosed above. Proceeds from the bonds provided financing for the repair of water and sewer lines. The bonds are payable solely from the net revenue of the water and sewer system. The remaining principal and interest to be paid on the bonds total \$21,681,004. 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 \$5,333,716, compared to annual debt requirements of \$1,880,917.

***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, 2018, \$1,575,000 of Building Authority Bonds and \$4,125,000 of Fire Revenue Bonds outstanding are considered defeased.

**Note 8 - 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*	\$ 930,454
Due from Macomb County**	<u>2,332,377</u>
Total	<u><u>\$ 3,262,831</u></u>

**Note 9 - 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.

**Note 9 - Risk Management (Continued)**

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

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

	Workers' Compensation		Medical Claims	
	2018	2017	2018	2017
Estimated liability (asset) - Beginning of year	\$ 192,521	\$ 369,884	\$ (366,557)	\$ 257,379
Estimated claims incurred, including changes in estimates	83,195	39,978	7,002,711	6,763,450
Claim payments	(97,166)	(217,341)	(6,715,977)	(7,387,386)
Estimated liability (asset) - End of year	<u>\$ 178,550</u>	<u>\$ 192,521</u>	<u>\$ (79,823)</u>	<u>\$ (366,557)</u>

**Note 10 - 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, Michigan have created a wet weather operational plan and the Township is metering the existing improvements. The Township has spent approximately \$25 million in construction projects, but until we have final approval from both Macomb County, Michigan 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.

**March 31, 2018**

**Note 10 - Commitments and Contingencies (Continued)**

**Construction Commitments**

The Charter Township of Clinton has active construction projects at year end. As of March 31, 2018, the Township's commitments with contractors are as follows:

	Spent to Date	Retainages Payable	Remaining Commitment
District E Phase One Beaconsfield/Little Mack	\$ 4,657,346	\$ 69,619	\$ 40,951
Little Mack Water Main Replacement	657,760	39,030	83,819
Sanata Barbara Paving	72,024	-	399,871
17 Mile Water Main Replacement	692,401	96,035	519,164
Zone 6 Manhole Rehab	-	-	149,690
Zone 8 & 10 Sanitary Sewer Repair	-	-	398,278
Zone 8 & 10 Sanitary Sewer Lining	63,617	7,069	1,453,779
Sewer Trunkline TV & Cleaning	-	-	385,343
Little Mack Paving	329,484	33,823	56,092
Civic Center Parking Lot	1,775,915	6,000	10,374
Basketball and Senior Center Walkway	71,303	2,500	6,965
Sidewalk Improvements	-	-	321,079
Senior Center Storage Addition	-	-	120,000

**Note 11 - 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's board of trustees and three members appointed by the Township of Macomb. The Library is funded through property taxes, specifically through a separate property tax millage that is not recorded as revenue by the Township. The Library currently does not receive a subsidy from the Township. The Township is unaware of any circumstance that would cause an additional benefit or burden to the participating governments in the near future. The financial statements for the Library can be obtained from the Library's administrative office at 40900 Romeo Plank Road, Clinton Township, MI 48038.

The Township is also a member of the 41-B District Court Common Fund (the "Court"), a joint venture that provides judiciary services to the City of Mount Clemens, 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 12 - 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 \$302,159, resulting in an employer contribution of \$51,367 and employee contributions of \$22,774.

***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 \$907,096, resulting in an employer contribution of \$113,499 and employee contributions of \$113,275.

**Note 13 - Defined Benefit Pension Plans**

***Plan Description - Municipal Employees' Retirement System of Michigan (MERS)***

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 that 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.

***Plan Administration - Fire and Police Pension System***

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.

**Note 13 - Defined Benefit Pension Plans (Continued)**

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.

**Benefits Provided - MERS**

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.

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.

**Benefits Provided - Fire and Police Pension System**

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).

March 31, 2018

**Note 13 - Defined Benefit Pension Plans (Continued)**

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.

**Employees Covered by Benefit Terms**

At the December 31, 2017 and March 31, 2018, the measurement date for MERS and police and fire pension plan, respectively, the following employees were covered by the benefit terms:

Date of member count	Municipal Employees Retirement System of Michigan (MERS)	Charter Township of Clinton Fire and Police Pension System
	December 31, 2017	March 31, 2018
Inactive plan members or beneficiaries currently receiving benefits	194	180
Inactive plan members entitled to but not yet receiving benefits	19	6
Active plan members	152	164
Total employees covered by the plan	365	350

**Contributions - MERS**

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, 2018, the average active employee contribution rate was 6.1 percent of annual pay and the Township's average contribution rate was 26.21 percent of annual payroll.

**Contributions - Fire and Police Pension System**

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, 2018, the average active member contribution rate was 8.51 percent of annual pay and the Township's average contribution rate was 30.99 percent of annual payroll.

**Deferred Retirement Option Program - Fire and Police Pension System**

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, 2018, the plan has \$2,558,026 accumulated in DROP accounts. These amounts are not currently due and payable.

**Note 13 - Defined Benefit Pension Plans (Continued)**

***Investment Policy - Fire and Police Pension System***

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, 2018:

Asset Class	Target Allocation
Domestic equity	25.00%
International equity	10.00
Asset allocation	15.00
Real estate	15.00
Fixed income	15.00
Hedge funds and alternative investments	20.00

***Rate of Return - Fire and Police Pension System***

For the year ended March 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.13 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***Pension Plan Reserves - Fire and Police Pension System***

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, 2018 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 89,454,312	\$ 89,454,312
Employee reserve	12,354,659	12,354,659
Employer reserve	-	19,060,203

***Net Pension Liability - MERS***

The net pension liability reported at March 31, 2018 was determined using a measure of the total pension liability and the pension net position as of December 31, 2017. The December 31, 2017 total pension liability was determined by an actuarial valuation performed as of that date.

March 31, 2018

**Note 13 - Defined Benefit Pension Plans (Continued)**

***Net Pension Liability - Fire and Police Pension System***

Total pension liability	\$ 192,877,346
Plan fiduciary net position	<u>(120,869,172)</u>
Township's net pension liability	<u>\$ 72,008,174</u>

The Township has chosen to use March 31, 2018 as its measurement date for the net pension liability. The March 31, 2018 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of March 31, 2018. The March 31, 2018 total pension liability was determined by an actuarial valuation performed as of that date.

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

***Municipal Employees' Retirement System of Michigan (MERS)***

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2016</b>	\$ 72,753,118	\$ 42,464,284	\$ 30,288,834
Changes for the year:			
Service cost	1,100,601	-	1,100,601
Interest	5,668,117	-	5,668,117
Differences between expected and actual experience	(157,431)	-	(157,431)
Contributions - Employer	-	2,352,892	(2,352,892)
Contributions - Employee	-	548,583	(548,583)
Net investment income	-	5,528,069	(5,528,069)
Benefit payments, including refunds	(4,903,935)	(4,903,935)	-
Administrative expenses	-	(87,642)	87,642
Net changes	<u>1,707,352</u>	<u>3,437,967</u>	<u>(1,730,615)</u>
<b>Balance at December 31, 2017</b>	<u>\$ 74,460,470</u>	<u>\$ 45,902,251</u>	<u>\$ 28,558,219</u>

March 31, 2018

**Note 13 - Defined Benefit Pension Plans (Continued)**

Changes in the net pension liability during the measurement year for Clinton Fire and Police Pension System were as follows:

**Charter Township of Clinton Fire and Police Pension System**

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at March 31, 2017</b>	\$162,002,648	\$ 117,203,154	\$ 44,799,494
Changes for the year:			
Service cost	3,866,329	-	3,866,329
Interest	10,818,661	-	10,818,661
Changes in benefits	891,463	-	891,463
Differences between expected and actual experience	1,526,191	-	1,526,191
Changes in assumptions	23,915,003	-	23,915,003
Contributions - Employer	-	4,493,653	(4,493,653)
Contributions - Employee	-	1,198,076	(1,198,076)
Net investment income	-	8,279,085	(8,279,085)
Benefit payments, including refunds	(10,142,949)	(10,142,949)	-
Administrative expenses	-	(161,847)	161,847
Net changes	<u>30,874,698</u>	<u>3,666,018</u>	<u>27,208,680</u>
<b>Balance at March 31, 2018</b>	<u>\$192,877,346</u>	<u>\$ 120,869,172</u>	<u>\$ 72,008,174</u>

**Assumption Changes**

During the year, the discount rate was decreased from 6.81 percent to 6.03 percent. The 6.03 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.

The assumption for general inflation was decreased from 4.00 percent to 2.50 percent.

Mortality rates were based on the RP 2014 table updated with Generational MP 2017 improvement scale whereas previously mortality rates were based on RP 2000 Combined Healthy table projected to 2014.

The assumption for salary increases was decreased from a range of 8.50 percent to 4.70 percent to a range of 8.00 percent to 4.20 percent.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - MERS**

For the year ended March 31, 2018, the Township recognized pension expense of \$3,809,011. At March 31, 2018, 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	\$ 160,017	\$ 340,107
Changes in assumptions	741,136	-
Net difference between projected and actual earnings on pension plan investments	-	1,051,064
Employer contributions to the plan subsequent to the measurement date	663,760	-
Total	<u>\$ 1,564,913</u>	<u>\$ 1,391,171</u>

**Note 13 - Defined Benefit Pension Plans (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to MERS will be recognized in pension expense (income) (exclusive of employer contributions to the plan made subsequent to the measurement date of \$663,760, which will impact the net pension liability in fiscal year 2019, rather than pension expense) are as follows:

Years Ending December 31	Amount
2018	\$ 814,772
2019	(86,383)
2020	(775,498)
2021	(442,909)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Fire and Police Pension System**

For the year ended March 31, 2018, the Township recognized pension expense of \$13,017,951. At March 31, 2018, 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	\$ 1,271,826	\$ 762,058
Changes in assumptions	26,719,512	3,486,129
Net difference between projected and actual earnings on pension plan investments	3,458,802	-
Total	<u>\$ 31,450,140</u>	<u>\$ 4,248,187</u>

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

Years Ending March 31	Amount
2019	\$ 7,085,719
2020	7,085,719
2021	5,082,499
2022	3,908,716
2023	4,039,300

**Actuarial Assumptions - MERS and Fire and Police Pension System**

The total pension liability in the December 31, 2017 and March 31, 2018 actuarial valuation for MERS and the fire and police pension system, respectively, were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Municipal Employees' Retirement System of Michigan (MERS)	Charter Township of Clinton Fire and Police Pension System
Inflation	2.50%	2.50%
Salary increases (average, including inflation)	3.75%	4.20 - 8.00%
Investment rate of return (net of pension plan investment expense, including inflation)	7.75%	7.50%

**Note 13 - Defined Benefit Pension Plans (Continued)**

***MERS***

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, 2017 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.

***Fire and Police Pension System***

Mortality rates were based on the RP 2014 Combined Healthy Mortality Table with generational improvement scale MP 2017.

***Discount Rate - MERS***

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.

***Discount Rate - Fire and Police Pension System***

The discount rate used to measure the total pension liability was 6.03 percent at the March 31, 2018 measurement date, which is a decrease from the discount rate used at the March 31, 2017 measurement date of 6.81 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.

**Note 13 - Defined Benefit Pension Plans (Continued)**

***Projected Cash Flows - MERS***

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, 2017, the measurement date, for each major asset class are summarized in the following table:

**Municipal Employees' Retirement System of Michigan (MERS)**

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	57.50 %	5.02 %
Global fixed income	20.00	2.18
Real assets	12.50	4.23
Diversifying strategies	10.00	6.56

***Projected Cash Flows - Fire and Police Pension System***

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 3.44 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, 2019 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, 2018 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.

**Charter Township of Clinton Fire and Police Pension System**

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	25.00 %	7.20 %
International equity	10.00	6.40
Asset allocation	15.00	3.20
Real estate	15.00	5.50
Fixed income	15.00	2.90
Hedge funds and alternative investments	20.00	4.80
Cash or cash equivalents	-	0.90

**Note 13 - Defined Benefit Pension Plans (Continued)**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate - MERS***

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	\$ 35,939,945	\$ 28,558,219	\$ 22,230,039

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate - Fire and Police Pension System***

The following presents the net pension liability of the Township, calculated using the discount rate of 6.03 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 (5.03 percent) or 1 percentage point higher (7.03 percent) than the current rate:

	1 Percent Decrease (5.03%)	Current Discount Rate (6.03%)	1 Percent Increase (7.03%)
Net pension liability of the Township	\$ 97,840,467	\$ 72,008,175	\$ 50,923,627

***Pension Plan Fiduciary Net Position - MERS***

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 of 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.

***Deferred Retirement Option Program (DROP) - Fire and Police Pension System***

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, 2018, the plan has \$2,558,026 accumulated in DROP accounts.

**Note 14 - Other Postemployment Benefits**

***Plan Description***

The township board administers the Clinton Township Post-Retirement Health Benefits Plan (the "Plan"), a single-employer defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time general and public safety employees of the Township.

Management of the Plan is vested with the township board of trustees.

**March 31, 2018**

**Note 14 - Other Postemployment Benefits (Continued)**

**Benefits Provided**

The Plan provides healthcare benefits for retirees and their dependents. Benefits are provided through a third-party insurer. Employees must meet the minimum age and service requirements for regular retirement. An employee who retires with less than 25 years of service may receive health coverage partially paid by the employer. There is no service requirement for public safety employees (except dispatchers) for a duty-disability retirement upon termination of employment.

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms as of September 1, 2016, the date of the most recent actuarial valuation:

Date of member count	September 1, 2016
Inactive plan members or beneficiaries currently receiving benefits	339
Active plan members	<u>255</u>
Total employees covered by the Plan	<u><u>594</u></u>

**Contributions**

The authority to establish and amend the contribution requirements of the Township and plan members is vested with the board of trustees. The board establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended March 31, 2018, the Township made plan contributions of \$10,469,278, of which \$5,061,743 was deemed to be actuarially required. Plan members are required to contribute at various rates as determined by applicable collective bargaining agreements.

**Net OPEB Liability**

The Township reports OPEB expense based on funding requirements, as directed by GASB Statement No. 45. Beginning next year, the Township will adopt GASB Statement No. 75, which will require the measurement of OPEB expense as it is earned, rather than as it is funded. The net OPEB liability of the Township has been measured as of March 31, 2018 and is composed of the following:

Total OPEB liability	\$ 115,831,835
Plan fiduciary net position	<u>48,328,791</u>
Net OPEB liability	<u><u>\$ 67,503,044</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	41.72 %

The Plan's fiduciary net position represents 41.72 percent of the total OPEB liability.

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used update procedures to roll forward the estimated liability to March 31, 2018. The valuation used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent	
Healthcare cost trend rate	6.0 to 5.0 percent	Decreasing 0.1% per year for 10 years
Salary increases	N/A	Average, including inflation
Investment rate of return	7.5 percent	Net of OPEB plan investment expense, including inflation

**Note 14 - Other Postemployment Benefits (Continued)**

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.31 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 statutorily required rates.

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 3.44 percent. The source of that bond rate was the S&P Municipal Bond 20 Year High Grade Index as of March 29, 2018. The long-term expected rate of return was applied to projected benefit payments from the year beginning April 1, 2018 through the year beginning April 1, 2087, and the municipal bond rate was applied to the remaining periods.

**Investment Rate of Return**

The long-term expected rate of return on OPEB 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	30.00 %	6.90 %
Global fixed income	25.00	2.90
Real return, opportunistic, and absolute pool	40.00	4.80
Cash or cash equivalents	5.00	0.90
Total	100.00 %	

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the Township, calculated using the discount rate of 7.31 percent. The following also reflects what the Township's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.31 percent) or 1 percentage point higher (8.31 percent) than the current rate:

	1 Percent Decrease (6.31%)	Current Discount Rate (7.31%)	1 Percent Increase (8.31%)
Net OPEB liability of the Township	\$ 85,210,336	\$ 67,503,044	\$ 53,369,180

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend**

The following presents the net OPEB liability of the Township, calculated using the healthcare cost trend rate starting at 6.00 percent and decreasing to 5.00 percent over 10 years, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (4.00 percent) or 1 percentage point higher (7.00 percent) than the current rate:

	1 Percent Decrease (5.00% - 4.00%)	Current Discount Rate (6.00% - 5.00%)	1 Percent Increase (7.00% - 6.00%)
Net OPEB liability of the Township	\$ 48,638,554	\$ 67,503,044	\$ 87,314,341

March 31, 2018

**Note 14 - Other Postemployment Benefits (Continued)**

***Investment Policy***

The Plan’s policy in regard to the allocation of invested assets is established and may be amended by the board of trustees by a majority vote of its members. It is the policy of the 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 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 board’s adopted asset allocation policy as of March 31, 2018:

Asset Class	Target Allocation
Global equity	30.00 %
Global fixed income	25.00
Real return, opportunistic, and absolute pool	40.00
Cash or cash equivalents	5.00
Total	<u>100.00 %</u>

***Rate of Return***

For the year ended March 31, 2018, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 6.46 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***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, 2018, the Township made contributions of \$198,689 and the plan members contributed \$98,953 to the Plan.

March 31, 2018

**Note 15 - Other Postemployment Benefit Plan Funding**

**Funding Progress**

For the year ended March 31, 2018, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of September 1, 2016. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

	2018	2017
Annual required contribution (recommended)	\$ 5,061,743	\$ 4,264,099
Interest on the prior year's net OPEB obligation	(639,609)	(308,043)
Adjustment to the annual required contribution	427,864	206,064
<b>Annual OPEB cost</b>	<b>4,849,998</b>	<b>4,162,120</b>
Amounts contributed:		
Payment of current premiums	(4,698,178)	(4,332,994)
Advance funding	(5,771,100)	(4,250,002)
<b>Decrease in net OPEB obligation</b>	<b>(5,619,280)</b>	<b>(4,420,876)</b>
OPEB asset obligation - Beginning of year	(8,528,117)	(4,107,241)
OPEB asset obligation - End of year	\$ (14,147,397)	\$ (8,528,117)

Employer contributions and annual OPEB cost data for the current and two preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Annual OPEB Costs	Employer Contributions		Net OPEB Asset
				Percentage of ARC Contributed	Percentage OPEB Costs Contributed	
March 31, 2018	September 1, 2016	\$ 5,061,743	\$ 4,849,998	207.00 %	216.00 %	\$ 14,147,397
March 31, 2017	September 1, 2014	4,264,100	4,162,120	201.00	206.00	8,528,117
March 31, 2016	September 1, 2014	4,264,100	4,280,656	212.00	212.00	4,107,241

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

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
September 1, 2016	\$ 39,209,334	\$ 102,350,462	\$ 63,141,128	38.31 %	\$ 17,508,624	360.63 %
September 1, 2014	27,646,415	85,075,927	57,429,512	32.50	17,888,238	321.05
September 1, 2012	23,271,604	83,194,819	59,923,215	27.97	20,676,144	289.82

**Note 15 - Other Postemployment Benefit Plan Funding (Continued)**

***Actuarial Methods and Assumptions***

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

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

In the September 1, 2016 actuarial valuation, the 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 percent initially reduced by decrements to an ultimate rate of 5 percent after seven years. Both rates included a 4.0 percent inflation assumption. The actuarial value of assets was based on market value reported as of August 31, 2016. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 1, 2016 was 30 years. The September 1, 2016 actuarial valuation was prepared using the RP 2000 Projected to 2014 Mortality Table. The September 1, 2014 actuarial valuation was prepared using the 1971 Group Annuity projected to 2000, set back zero years for males and six years for females. The September 1, 2016 actuarial valuation assumes an across-the-board salary increase of 4 percent, which is 1 percent lower than the assumed rate for the September 1, 2014 across-the-board salary increase assumption of 5 percent.

March 31, 2018

**Note 16 - 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 Note 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				Nonmajor Enterprise Funds/Business-type Activities	
	Deferred Inflows of Resources	Deferred Outflows of Resources	Unearned Revenue	Total	Amount	Amount
State-shared revenue	\$ 658,481	\$ -	\$ -	\$ 658,481	\$ -	\$ -
Long-term due from other governments	3,323,100	-	-	3,323,100	-	-
Deferred charge on refunding	-	-	-	-	-	174,070
Unearned special assessment revenue	-	-	-	-	403,895	-
Other grant revenue	-	-	8,200	8,200	-	-
<b>Total</b>	<b>\$ 3,981,581</b>	<b>\$ -</b>	<b>\$ 8,200</b>	<b>\$ 3,989,781</b>	<b>\$ 403,895</b>	<b>\$ 174,070</b>

**Note 17 - 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 2017 was \$75,967.

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

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 2017, these agreements resulted in foregone tax revenue of \$17,914.

**March 31, 2018**

**Note 18 - Fund Balance Constraints**

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

Fund Balances	General Capital Projects Fund
Special education - Transportation	\$ 100,000
Assigned:	
Next year's budget	394,743
Cass Avenue loan principal and interest	50,436
Romeo Plank loan principal and interest	105,927
Technology	81,114
Total	<u>\$ 732,220</u>

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## Required Supplemental Information

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# Charter Township of Clinton

## Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended March 31, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 2,424,160	\$ 2,455,127	\$ 2,451,258	\$ (3,869)
Intergovernmental:				
Federal grants	17,000	17,000	314,557	297,557
State-shared revenue and grants	8,044,832	8,594,832	8,716,584	121,752
Licenses and permits	1,325,500	1,476,500	1,564,091	87,591
Interest	59,000	93,000	132,493	39,493
Other revenue	4,260,338	4,636,906	4,574,206	(62,700)
<b>Total revenue</b>	<b>16,130,830</b>	<b>17,273,365</b>	<b>17,753,189</b>	<b>479,824</b>
<b>Expenditures</b>				
Current:				
General government	5,288,075	5,007,321	5,004,317	3,004
Public safety	1,785,402	1,795,815	1,740,779	55,036
Public works	4,763,855	5,093,223	5,027,273	65,950
Community and economic development	844,585	856,502	789,657	66,845
Recreation and culture	3,334,268	3,362,879	3,335,160	27,719
Debt service	150,288	150,288	150,425	(137)
<b>Total expenditures</b>	<b>16,166,473</b>	<b>16,266,028</b>	<b>16,047,611</b>	<b>218,417</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(35,643)</b>	<b>1,007,337</b>	<b>1,705,578</b>	<b>698,241</b>
<b>Other Financing (Uses) Sources</b>				
Transfers out	(333,322)	(1,803,322)	(1,627,231)	176,091
Proceeds from sale of capital assets	300,000	179,032	161,399	(17,633)
<b>Total other financing uses</b>	<b>(33,322)</b>	<b>(1,624,290)</b>	<b>(1,465,832)</b>	<b>158,458</b>
<b>Net Change in Fund Balance</b>	<b>(68,965)</b>	<b>(616,953)</b>	<b>239,746</b>	<b>856,699</b>
<b>Fund Balance - Beginning of year</b>	<b>22,821,568</b>	<b>22,821,568</b>	<b>22,821,568</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 22,752,603</b>	<b>\$ 22,204,615</b>	<b>\$ 23,061,314</b>	<b>\$ 856,699</b>

# Charter Township of Clinton

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Fund

**Year Ended March 31, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 16,450,296	\$ 16,650,410	\$ 16,613,096	\$ (37,314)
Intergovernmental:				
Federal grants	-	-	4,429	4,429
State-shared revenue grants	-	60,000	53,732	(6,268)
Interest	55,400	67,700	109,797	42,097
Other revenue	15,000	28,222	26,813	(1,409)
Total revenue	16,520,696	16,806,332	16,807,867	1,535
<b>Expenditures</b>				
Current - Public safety	18,205,978	16,732,503	16,509,817	222,686
Debt service:				
Principal	630,000	630,000	630,000	-
Interest on long-term debt	106,363	106,363	106,363	-
Total expenditures	18,942,341	17,468,866	17,246,180	222,686
<b>Excess of Expenditures Over Revenue</b>	(2,421,645)	(662,534)	(438,313)	224,221
<b>Other Financing Sources</b> - Proceeds from sale of capital assets	-	10,000	9,147	(853)
<b>Net Change in Fund Balance</b>	(2,421,645)	(652,534)	(429,166)	223,368
<b>Fund Balance</b> - Beginning of year	20,936,495	20,936,495	20,936,495	-
<b>Fund Balance</b> - End of year	<u>\$ 18,514,850</u>	<u>\$ 20,283,961</u>	<u>\$ 20,507,329</u>	<u>\$ 223,368</u>

**Charter Township of Clinton**

Required Supplemental Information  
 Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)  
 Police Fund

**Year Ended March 31, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 19,774,378	\$ 20,019,178	\$ 19,978,252	\$ (40,926)
Intergovernmental:				
Federal sources	43,553	47,553	48,492	939
State-shared revenue and grants	75,800	166,800	164,032	(2,768)
Licenses and permits	54,000	57,000	57,133	133
Interest	72,200	90,000	189,673	99,673
Other revenue	276,374	303,824	457,387	153,563
Total revenue	20,296,305	20,684,355	20,894,969	210,614
<b>Expenditures - Current - Public safety</b>	21,327,820	21,150,384	20,813,328	337,056
<b>Excess of Revenue (Under) Over Expenditures</b>	(1,031,515)	(466,029)	81,641	547,670
<b>Other Financing Sources</b>				
Transfers in	125,000	125,000	125,000	-
Proceeds from sale of capital assets	35,000	10,000	11,745	1,745
Total other financing sources	160,000	135,000	136,745	1,745
<b>Net Change in Fund Balance</b>	(871,515)	(331,029)	218,386	549,415
<b>Fund Balance - Beginning of year</b>	32,055,790	32,055,790	32,055,790	-
<b>Fund Balance - End of year</b>	<u>\$ 31,184,275</u>	<u>\$ 31,724,761</u>	<u>\$ 32,274,176</u>	<u>\$ 549,415</u>

## Charter Township of Clinton

### Required Supplemental Information

### Schedule of Changes in the Net Pension Liability and Related Ratios - MERS

	Last Three Fiscal Years*		
	2018	2017	2016
<b>Total Pension Liability</b>			
Service cost	\$ 1,100,601	\$ 1,107,131	\$ 1,064,743
Interest	5,668,117	5,559,102	5,296,358
Differences between expected and actual experience	(157,431)	(444,068)	640,069
Changes in assumptions	-	-	2,964,550
Benefit payments, including refunds	<u>(4,903,935)</u>	<u>(4,808,520)</u>	<u>(4,584,320)</u>
<b>Net Change in Total Pension Liability</b>	1,707,352	1,413,645	5,381,400
<b>Total Pension Liability - Beginning of year</b>	<u>72,753,118</u>	<u>71,339,473</u>	<u>65,958,073</u>
<b>Total Pension Liability - End of year</b>	<u><b>\$ 74,460,470</b></u>	<u><b>\$ 72,753,118</b></u>	<u><b>\$ 71,339,473</b></u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 2,352,892	\$ 1,959,949	\$ 1,872,652
Contributions - Member	548,583	536,804	528,758
Net investment income (loss)	5,528,069	4,501,328	(630,111)
Administrative expenses	(87,642)	(88,955)	(93,273)
Benefit payments, including refunds	<u>(4,903,935)</u>	<u>(4,808,520)</u>	<u>(4,584,320)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	3,437,967	2,100,606	(2,906,294)
<b>Plan Fiduciary Net Position - Beginning of year</b>	<u>42,464,284</u>	<u>40,363,678</u>	<u>43,269,972</u>
<b>Plan Fiduciary Net Position - End of year</b>	<u><b>\$ 45,902,251</b></u>	<u><b>\$ 42,464,284</b></u>	<u><b>\$ 40,363,678</b></u>
<b>Township's Net Pension Liability - Ending</b>	<u><b>\$ 28,558,219</b></u>	<u><b>\$ 30,288,834</b></u>	<u><b>\$ 30,975,795</b></u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	61.65 %	58.37 %	56.58 %
<b>Covered Employee Payroll</b>	\$ 8,977,328	\$ 8,937,780	\$ 8,691,747
<b>Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	318.11 %	338.89 %	356.38 %

\* Historical information prior to 2016 is not available. Additional years will be added until 10 years of information is achieved.



## Charter Township of Clinton

### Required Supplemental Information Schedule of Changes in Township Net Pension Liability and Related Ratios - Fire and Police Pension System

	<b>Last Four Fiscal Years*</b>			
	2018	2017	2016	2015
<b>Total Pension Liability</b>				
Service cost	\$ 3,866,329	\$ 4,207,656	\$ 3,708,595	\$ 3,829,279
Interest	10,818,661	10,450,777	9,790,487	9,639,099
Changes in benefit terms	891,463	-	-	-
Differences between expected and actual experience	1,526,191	(1,081,729)	(55,887)	(2,412,055)
Changes in assumptions	23,915,003	(5,146,191)	12,963,381	-
Benefit payments, including refunds	(10,142,949)	(9,224,043)	(8,533,658)	(9,051,073)
<b>Net Change in Total Pension Liability</b>	30,874,698	(793,530)	17,872,918	2,005,250
<b>Total Pension Liability - Beginning of year</b>	162,002,648	162,796,178	144,923,260	142,918,010
<b>Total Pension Liability - End of year</b>	<b><u>\$ 192,877,346</u></b>	<b><u>\$ 162,002,648</u></b>	<b><u>\$ 162,796,178</u></b>	<b><u>\$ 144,923,260</u></b>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 4,493,653	\$ 3,611,452	\$ 3,595,004	\$ 3,427,893
Contributions - Member	1,198,076	967,784	980,971	5,264,133
Net investment income (loss)	8,279,085	8,844,088	(2,350,175)	995,827
Administrative expenses	(161,847)	(139,966)	(205,323)	(88,708)
Benefit payments, including refunds	(10,142,949)	(9,224,043)	(8,533,658)	(9,051,073)
Adjustments to DROP plan change of accounting	-	-	-	2,611,725
<b>Net Change in Plan Fiduciary Net Position</b>	3,666,018	4,059,315	(6,513,181)	3,159,797
<b>Plan Fiduciary Net Position - Beginning of year</b>	117,203,154	113,143,839	119,657,021	116,497,224
<b>Plan Fiduciary Net Position - End of year</b>	<b><u>\$ 120,869,172</u></b>	<b><u>\$ 117,203,154</u></b>	<b><u>\$ 113,143,840</u></b>	<b><u>\$ 119,657,021</u></b>
<b>Township's Net Pension Liability - Ending</b>	<b><u>\$ 72,008,174</u></b>	<b><u>\$ 44,799,494</u></b>	<b><u>\$ 49,652,338</u></b>	<b><u>\$ 25,266,239</u></b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	62.67 %	72.35 %	69.50 %	82.57 %
<b>Covered Employee Payroll</b>	\$ 14,502,100	\$ 13,842,945	\$ 14,176,791	\$ 13,004,900
<b>Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	496.54 %	323.63 %	350.24 %	194.28 %

\* Historical information prior to 2015 is not available. Additional years will be added until 10 years of information is achieved.



**Charter Township of Clinton**

**Required Supplemental Information  
Schedule of Investment Returns - Fire and Police Pension System**

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	<b>Last Four Fiscal Years</b>			
	<b>Year Ended March 31</b>			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	7.13 %	8.06 %	(2.00)%	4.70 %

## Charter Township of Clinton

### Required Supplemental Information Schedule of Changes in the Net OPEB Liability and Related Ratios

Year Ended March 31\*

	<u>2018</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 2,003,012
Interest	8,318,373
Differences between expected and actual experience	(4,974,712)
Benefit payments, including refunds	<u>(4,615,528)</u>
<b>Net Change in Total OPEB Liability</b>	731,145
<b>Total OPEB Liability - Beginning of year</b>	<u>115,100,690</u>
<b>Total OPEB Liability - End of year</b>	<b><u>\$ 115,831,835</u></b>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 10,469,278
Contributions - Active and inactive plan members not yet receiving benefits	345,602
Net investment income	2,934,144
Administrative expenses	(9,682)
Benefit payments, including refunds	<u>(4,314,251)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	9,425,091
<b>Plan Fiduciary Net Position - Beginning of year</b>	<u>38,903,700</u>
<b>Plan Fiduciary Net Position - End of year</b>	<b><u>\$ 48,328,791</u></b>
<b>Net OPEB Liability - Ending</b>	<b><u>\$ 67,503,044</u></b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	41.72 %
<b>Covered Payroll</b>	\$ 16,950,856
<b>Net OPEB Liability as a Percentage of Covered Payroll</b>	398.23 %

\* Historical information prior to 2018 is not available. Additional years will be added until 10 years of information is achieved.



**Charter Township of Clinton**

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**Required Supplemental Information  
Schedule of OPEB Investment Returns**

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**Year Ended March 31**

	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	6.46 %

\* Historical information prior to 2018 is not available. Additional years will be added until 10 years of information is achieved.

Required Supplemental Information  
**OPEB System Schedules of Funding Progress and Employer Contributions**

**Year Ended March 31, 2018**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
September 1, 2016	\$ 39,209,334	\$ 102,350,462	\$ 63,141,128	38.31 %	\$ 17,508,624	360.63 %
September 1, 2014	27,646,415	85,075,927	57,429,512	32.50	17,888,238	321.05
September 1, 2012	23,271,604	83,194,819	59,923,215	27.97	20,676,144	289.82

Actuarial information as of September 1, 2016, the latest actuarial valuation, is as follows:

Amortization method	Level percent of payroll
Amortization period (perpetual)	30 years
Asset valuation method	Market value as of August 31, 2016
Actuarial assumptions:	
	7.50 percent net of investment expenses
Investment rate of return	
Projected salary increases	4.0 percent

***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, 2018 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 - Debt service	\$ 150,288	\$ 150,425	\$ (137)

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## 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	\$ 303,071	\$ -	\$ 177,560	\$ 479,319	\$ 102,571	\$ 1,062,521
Receivables:						
Taxes	-	-	-	-	-	-
Sales to customers on account	-	-	-	34,764	-	34,764
Other	-	-	-	-	-	-
Due from other governmental units	530	54,117	-	-	-	54,647
<b>Total assets</b>	<b>\$ 303,601</b>	<b>\$ 54,117</b>	<b>\$ 177,560</b>	<b>\$ 514,083</b>	<b>\$ 102,571</b>	<b>\$ 1,151,932</b>
<b>Liabilities</b>						
Accounts payable	\$ 1,636	\$ 20,399	\$ 4,150	\$ 41,309	\$ -	\$ 67,494
Due to other funds	-	33,718	319	-	-	34,037
Accrued liabilities and other	1,500	-	-	-	-	1,500
<b>Total liabilities</b>	<b>3,136</b>	<b>54,117</b>	<b>4,469</b>	<b>41,309</b>	<b>-</b>	<b>103,031</b>
<b>Fund Balances</b>						
Restricted:						
Drainage	300,465	-	-	-	-	300,465
Police	-	-	-	-	102,571	102,571
Debt service	-	-	-	-	-	-
Drug forfeiture	-	-	173,091	-	-	173,091
Street lighting	-	-	-	472,774	-	472,774
Transportation	-	-	-	-	-	-
Assigned - Capital projects	-	-	-	-	-	-
<b>Total fund balances</b>	<b>300,465</b>	<b>-</b>	<b>173,091</b>	<b>472,774</b>	<b>102,571</b>	<b>1,048,901</b>
<b>Total liabilities and fund balances</b>	<b>\$ 303,601</b>	<b>\$ 54,117</b>	<b>\$ 177,560</b>	<b>\$ 514,083</b>	<b>\$ 102,571</b>	<b>\$ 1,151,932</b>

Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

March 31, 2018

Nonmajor Debt Service Funds			Nonmajor Capital Project Funds		
Building Authority	Police Facility	Total Debt Service Funds	General Capital Projects Fund	Total Nonmajor Governmental Funds	
\$ -	\$ 16,059	\$ 16,059	\$ 710,279	\$ 1,788,859	
-	54,707	54,707	-	54,707	
-	-	-	-	34,764	
-	-	-	73,439	73,439	
-	-	-	-	54,647	
<b>\$ -</b>	<b>\$ 70,766</b>	<b>\$ 70,766</b>	<b>\$ 783,718</b>	<b>\$ 2,006,416</b>	
\$ -	\$ -	\$ -	\$ 51,498	\$ 118,992	
-	54,763	54,763	-	88,800	
-	373	373	-	1,873	
-	55,136	55,136	51,498	209,665	
-	-	-	-	300,465	
-	-	-	-	102,571	
-	15,630	15,630	-	15,630	
-	-	-	-	173,091	
-	-	-	-	472,774	
-	-	-	100,000	100,000	
-	-	-	632,220	632,220	
-	15,630	15,630	732,220	1,796,751	
<b>\$ -</b>	<b>\$ 70,766</b>	<b>\$ 70,766</b>	<b>\$ 783,718</b>	<b>\$ 2,006,416</b>	

# Charter Township of Clinton

	Nonmajor Special Revenue Funds					Total Special Revenue Funds
	Drainage	Community Development Block Grant	Drug Forfeiture	Street Lighting	DEA Task Force	
<b>Revenue</b>						
Property taxes	\$ -	\$ -	\$ -	\$ 481,191	\$ -	\$ 481,191
Intergovernmental:						
Federal sources	-	437,888	-	-	-	437,888
State-shared revenue and grants	-	-	-	-	-	-
Fines and forfeitures	-	-	135,278	-	10,451	145,729
Interest	2,372	-	-	2,430	1,473	6,275
Other revenue	104,105	-	-	-	-	104,105
<b>Total revenue</b>	<b>106,477</b>	<b>437,888</b>	<b>135,278</b>	<b>483,621</b>	<b>11,924</b>	<b>1,175,188</b>
<b>Expenditures</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	102,189	-	-	102,189
Public works	69,047	-	-	523,537	-	592,584
Community and economic development	-	437,888	-	-	-	437,888
Debt service:						
Principal	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-
<b>Total expenditures</b>	<b>69,047</b>	<b>437,888</b>	<b>102,189</b>	<b>523,537</b>	<b>-</b>	<b>1,132,661</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>37,430</b>	<b>-</b>	<b>33,089</b>	<b>(39,916)</b>	<b>11,924</b>	<b>42,527</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(125,000)	(125,000)
Proceeds from sale of capital assets	-	-	20,005	-	-	20,005
<b>Total</b>	<b>-</b>	<b>-</b>	<b>20,005</b>	<b>-</b>	<b>(125,000)</b>	<b>(104,995)</b>
<b>Net Change in Fund Balances</b>	<b>37,430</b>	<b>-</b>	<b>53,094</b>	<b>(39,916)</b>	<b>(113,076)</b>	<b>(62,468)</b>
<b>Fund Balances - Beginning 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>
<b>Fund Balances - End of year</b>	<b>\$ 300,465</b>	<b>\$ -</b>	<b>\$ 173,091</b>	<b>\$ 472,774</b>	<b>\$ 102,571</b>	<b>\$ 1,048,901</b>

Other Supplemental Information

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds

Year Ended March 31, 2018

Nonmajor Debt Service Funds			Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Building Authority	Police Facility	Total Debt Service Funds	General Capital Projects Fund	
\$ -	\$ 1,296,418	\$ 1,296,418	\$ -	\$ 1,777,609
-	-	-	-	437,888
-	26,092	26,092	-	26,092
-	-	-	-	145,729
-	-	-	6,769	13,044
-	-	-	28,709	132,814
-	1,322,510	1,322,510	35,478	2,533,176
-	-	-	490,090	490,090
-	1,488	1,488	-	103,677
-	-	-	95,117	687,701
-	-	-	-	437,888
315,945	1,325,000	1,640,945	85,746	1,726,691
17,377	53,000	70,377	-	70,377
333,322	1,379,488	1,712,810	670,953	3,516,424
(333,322)	(56,978)	(390,300)	(635,475)	(983,248)
333,322	-	333,322	353,909	687,231
-	-	-	-	(125,000)
-	-	-	-	20,005
333,322	-	333,322	353,909	582,236
-	(56,978)	(56,978)	(281,566)	(401,012)
-	72,608	72,608	1,013,786	2,197,763
<b>\$ -</b>	<b>\$ 15,630</b>	<b>\$ 15,630</b>	<b>\$ 732,220</b>	<b>\$ 1,796,751</b>

# Charter Township of Clinton

## Other Supplemental Information Combining Statement of Net Position Fiduciary Funds

**March 31, 2018**

	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	\$ -	\$ 1,857,770	\$ 1,857,770	\$ 214,100	\$ 110,620	\$ 816,440	\$ 1,141,160
Investments:							
Bank investment pools and money market funds	6,964,501	-	6,964,501	-	-	-	-
U.S. Treasury securities	1,615,840	-	1,615,840	-	-	-	-
Asset-backed securities	6,339,593	-	6,339,593	-	-	-	-
Municipal bonds	30,079	-	30,079	-	-	-	-
Corporate bonds	4,922,319	-	4,922,319	-	-	-	-
Foreign bonds	728,211	-	728,211	-	-	-	-
Domestic stock	23,097,675	-	23,097,675	-	-	-	-
Foreign stock	3,307,622	-	3,307,622	-	-	-	-
Mutual funds	30,651,278	47,357,882	78,009,160	-	-	-	-
Real estate investment trusts	3,850,016	-	3,850,016	-	-	-	-
Limited partnerships	31,353,256	-	31,353,256	-	-	-	-
Hedge funds	7,425,101	-	7,425,101	-	-	-	-
Securities lending - Mutual funds	5,903,064	-	5,903,064	-	-	-	-
Receivables	-	13,945	13,945	-	-	-	-
Prepaid expenses and other assets	774,796	155,641	930,437	-	-	-	-
Total assets	126,963,351	49,385,238	176,348,589	214,100	110,620	816,440	1,141,160
<b>Liabilities</b>							
Benefits payable and other liabilities	166,264	42,354	208,618	210,780	1,989	2,136	214,905
Due to other funds	24,849	1,014,093	1,038,942	-	-	-	-
Refundable deposits, bonds, etc.	-	-	-	3,320	108,631	814,304	926,255
Accrued liabilities and other - Amounts due to broker under securities lending arrangements	5,903,064	-	5,903,064	-	-	-	-
Total liabilities	6,094,177	1,056,447	7,150,624	214,100	110,620	816,440	1,141,160
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<b>\$ 120,869,174</b>	<b>\$ 48,328,791</b>	<b>\$ 169,197,965</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Charter Township of Clinton**

**Other Supplemental Information  
Combining Statement of Changes in Fiduciary Net Position  
Fiduciary Funds**

**Year Ended March 31, 2018**

	Fire and Police Pension System	Public Employee Healthcare	Total
<b>Additions</b>			
Investment income (loss):			
Interest and dividends	\$ 2,377,947	\$ 1,640,800	\$ 4,018,747
Net increase in fair value of investments	6,670,215	1,293,344	7,963,559
Investment-related expenses	(728,141)	-	(728,141)
Net investment income	8,320,021	2,934,144	11,254,165
Securities lending income - Interest and dividends	3,664	-	3,664
Contributions:			
Employer	4,493,653	10,469,278	14,962,931
Employee	1,234,339	345,602	1,579,941
Total contributions	5,727,992	10,814,880	16,542,872
Total additions	14,051,677	13,749,024	27,800,701
<b>Deductions</b>			
Benefit payments and annuity withdrawals	10,142,949	4,314,251	14,457,200
Administrative expenses	242,708	9,682	252,390
Total deductions	10,385,657	4,323,933	14,709,590
<b>Net Increase in Net Position Held in Trust</b>	3,666,020	9,425,091	13,091,111
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	117,203,154	38,903,700	156,106,854
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 120,869,174</b>	<b>\$ 48,328,791</b>	<b>\$ 169,197,965</b>