
Charter Township of Clinton

Macomb County, Michigan

Financial Report
with Supplemental Information
March 31, 2019

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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, 2019 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, 2019 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 Matters

As described in Note 4, the financial statements include investments related to the Fire and Police Pension System valued at approximately \$37.2 million at March 31, 2019 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 discussed in Note 18 to the financial statements, the financial statements of the Downtown Development Authority have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, in 2019, the Township adopted GASB statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This new accounting standard results in a change in the calculation and recording of the Township's OPEB liability. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of changes in the Township's net pension 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, 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.

Plante & Moran, PLLC

August 30, 2019

Management's Discussion and Analysis

Introduction

This discussion and analysis is included with the Charter Township of Clinton's (the "Township") financial report to provide an overview of the Township's financial activities for the fiscal year ended March 31, 2019. 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 13-15. 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 16-26. 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, 2019 and 2018:

Summary Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current Assets	\$ 82,159.1	\$ 83,949.1	\$ 41,465.2	\$ 38,819.4	\$ 123,624.3	\$ 122,768.5
Noncurrent Assets						
Restricted assets	-	-	2,504.8	3,262.8	2,504.8	3,262.8
Special assessments	-	-	1,804.2	179.7	1,804.2	179.7
Net OPEB asset	-	14,147.4	-	-	-	14,147.4
Capital assets	42,009.1	41,863.6	179,938.9	178,471.9	221,948.0	220,335.5
Total assets	124,168.2	139,960.1	225,713.1	220,733.8	349,881.3	360,693.9
Deferred Outflows of Resources						
Deferred charge on bond refunding	-	-	163.8	174.1	163.8	174.1
Deferred pension costs	42,868.6	32,542.6	1,452.6	472.4	44,321.2	33,015.0
Deferred OPEB costs	3,548.5	-	290.4	-	3,838.9	-
Total deferred outflows of resources	46,417.1	32,542.6	1,906.8	646.5	48,323.9	33,189.1
Liabilities						
Current liabilities	6,875.9	4,280.4	8,695.3	8,018.6	15,571.2	12,299.0
Net pension liability	115,119.5	91,945.2	10,299.1	8,621.2	125,418.6	100,566.4
Net OPEB liability	55,216.3	-	4,518.9	-	59,735.2	-
Long-term liabilities	13,912.6	15,432.6	62,741.9	66,052.0	76,654.5	81,484.6
Total liabilities	191,124.3	111,658.2	86,255.2	82,691.8	277,379.5	194,350.0
Deferred Inflows of Resources						
Pension cost reductions	3,364.4	5,219.3	60.1	420.0	3,424.5	5,639.3
OPEB cost reductions	5,890.6	-	482.1	-	6,372.7	-
Total deferred inflows of resources	9,255.0	5,219.3	542.2	420.0	9,797.2	5,639.3
Net Position						
Net investment in capital assets	28,753.6	27,236.1	116,820.9	112,911.2	145,574.5	140,147.3
Restricted	4,939.1	6,230.5	3,486.1	2,846.1	8,425.2	9,076.6
Unrestricted	(63,486.7)	22,158.6	20,515.5	22,511.2	(42,971.2)	44,669.8
Total net position	\$ (29,794.0)	\$ 55,625.2	\$ 140,822.5	\$ 138,268.5	\$ 111,028.5	\$ 193,893.7

Total net position related to the Township's governmental activities decreased by approximately \$85.4 million. During the current year, the Township adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which replaces GASB Statement No. 45. As a result, beginning net position in the governmental activities was reduced by \$76.6 million (see Note 1 - Significant Accounting Policies for details). An approximate \$776 thousand decrease resulted from expenditures exceeding revenues across all governmental funds which includes a transfer of \$608 thousand for road paving and sidewalk projects. The Township doubled its contribution to the Retiree Health Care Fund by \$5.0 million, as well as doubling its contribution to the Municipal Employees' Retirement System of Michigan (MERS) making an additional \$2.5 million contribution. 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 \$11.0 million. A \$67 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. A \$1.4 million dollar increase in net position resulted from the payment of bond principal. Net position was increased by approximately \$110 thousand due to a decrease in accumulated sick and vacation liability.

Charter Township of Clinton

Management's Discussion and Analysis (continued)

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 19.

The following table shows the changes in net position (in thousands of dollars) during the years ended March 31, 2019 and 2018:

Summary Condensed Income Statement

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue						
Program revenue:						
Charges for services	\$ 3,848.3	\$ 3,834.9	\$ 52,597.5	\$ 50,042.2	\$ 56,445.8	\$ 53,877.1
Operating grants and contributions	1,758.6	1,683.5	16.1	41.2	1,774.7	1,724.7
Capital grants and contributions	24.7	23.6	178.5	1,276.7	203.2	1,300.3
General revenue:						
Property taxes	40,968.0	40,887.4	-	-	40,968.0	40,887.4
State-shared revenue	9,079.9	8,669.3	-	-	9,079.9	8,669.3
Investment income	566.1	255.8	639.4	294.4	1,205.5	550.2
Miscellaneous	3,505.9	3,406.7	376.0	(146.0)	3,881.9	3,260.7
Total revenue	59,751.5	58,761.2	53,807.5	51,508.5	113,559.0	110,269.7
Program Expenses						
General government	6,240.7	4,080.5	-	-	6,240.7	4,080.5
Public safety	52,590.0	44,109.3	-	-	52,590.0	44,109.3
Public works	5,249.7	5,182.7	-	-	5,249.7	5,182.7
Recreation and culture	2,821.4	3,880.1	-	-	2,821.4	3,880.1
Community and economic development	1,183.1	1,226.0	-	-	1,183.1	1,226.0
Interest on long-term debt	465.9	568.8	-	-	465.9	568.8
Water and sewer	-	-	38,860.9	42,894.7	38,860.9	42,894.7
Senior housing	-	-	1,487.0	1,392.8	1,487.0	1,392.8
Sanitation	-	-	4,655.0	4,228.2	4,655.0	4,228.2
Special assessments	-	-	1,220.1	507.8	1,220.1	507.8
Total program expenses	68,550.8	59,047.4	46,223.0	49,023.5	114,773.8	108,070.9
Change in Net Position - Before transfers	(8,799.3)	(286.2)	7,584.5	2,485.0	(1,214.8)	2,198.8
Transfers	-	(940.0)	-	940.0	-	-
Change in Net Position	(8,799.3)	(1,226.2)	7,584.5	3,425.0	(1,214.8)	2,198.8
Net Position - Beginning of year, as restated	(20,994.7)	56,851.4	133,238.0	134,843.5	112,243.3	191,694.9
Net Position - End of year	<u>\$ (29,794.0)</u>	<u>\$ 55,625.2</u>	<u>\$ 140,822.5</u>	<u>\$ 138,268.5</u>	<u>\$ 111,028.5</u>	<u>\$ 193,893.7</u>

Property taxes are the primary source of revenue for the governmental activities, providing approximately 68.5 percent of the total. State-shared revenue provides another 15.1 percent, user charges provide 6.4 percent, and grants and contributions provide 2.9 percent, leaving only 7.1 percent being provided by all other sources.

Charter Township of Clinton

Management's Discussion and Analysis (continued)

Property taxes, the largest source of general government revenue, experienced a slight net increase due to an increase in taxable property values while being reduced by Headlee Millage reduction factor and tax reductions due to Michigan tax tribunal appeals for prior year. This is the fifth 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 \$410 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, 2019 was approximately \$1.4 million (14.3 percent) less than what the Township received in the fiscal year ended March 31, 2002. The Township countered these reductions by leaving vacant the positions resulting from retirements to keep the effect on non-personnel related expenditures at a minimum. This has permanently reset the level of services that the Township can afford to provide. 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, 2019. 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 \$491.6 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
DEA Task Force Fund	41-B District Court Debt Fund
Police Facility Debt Fund	

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

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

Charter Township of Clinton

Management's Discussion and Analysis (continued)

Fund-based Financial Statements

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

Financial and Budgetary Highlights

General Fund - Overall, General Fund revenue was approximately \$119.8 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 2.5 percent, or \$61 thousand, in the General Fund. The 2.5 percent increase in tax revenue is related to the 3.6 percent increase in taxable value 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 3.35 percent, or \$292.7 thousand, mainly due to an increase of constitutional state revenue-sharing payments from the State of Michigan. The \$492 thousand of statutory revenue received through the City, Village, and Township Revenue Sharing (CVTRS) program was increased by \$25.9 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. Proceeds from the sale of fixed assets remain relatively the same as the prior year. Fees and permit revenue increased by 4.5 percent, or \$70.6 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 \$28 thousand higher than the prior year. The DPW revenues have decreased by approximately \$41.4 thousand mainly due to increases 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 8.6 percent, or \$1.37 million, above the prior year. Approximately \$984 thousand of the increase was the Township's additional contribution above the annual required contribution to the MERS Retirement System. The increase is also related to increases across all departments related to wage increases, pension costs, retiree health care prefunding and capital improvements. Approximately \$358 thousand was transferred to the Capital Improvement Fund for cost sharing for road paving, and \$250 thousand for sidewalk paving. After several years of postponing capital outlay expenditures, the Township began to budget for and expend funds for much-needed capital outlay. The remainder of the increase was due to increased capital outlay purchases. As with the prior year, the Township contributed double the required contribution to the Retiree Health Care Trust Fund.

Charter Township of Clinton

Management's Discussion and Analysis (continued)

During the 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 4.5 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 \$20.7 million this year in the Police Fund, an increase of 3.8 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 percent of the revenue in the Police Fund. All other revenue in the Police Fund remained relatively the same as the prior year. Total transfers into the Police Fund was \$125 thousand less than the prior year.

Overall, Police Fund expenditures have increased by 2.4 percent from the prior year. This increase is attributable to salary and fringe benefit increases. 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 4.8 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 \$17.2 million this year in the Fire Fund, an increase of 3.8 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 97.8 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, 2019. Therefore, overall expenditures will include activity from both the Fire Fund and the Fire Vehicle and Equipment Replacement Fund.

Charter Township of Clinton

Management's Discussion and Analysis (continued)

Overall, Fire Fund expenditures have increased by approximately 9.4 percent from the prior year. This increase is mainly attributable to the capital outlay purchases. The increases are also attributable to 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, 2018, the Township's share is 68 percent.

On August 1, 2006, \$13,500,000 of Township General Obligation Limited Tax Capital Improvement Bonds was issued for the construction of a new court building which is located in 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 \$9,524,000, 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, October 2018 and October 2019 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, 5.7 percent, and 3.8 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, \$25.7 million, and \$461 thousand 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.

Management's Discussion and Analysis (continued)

For the fiscal year ended March 31, 2019, water and sewer operating revenue increased by approximately 4.7 percent, which is consistent with the increase to the water and sewer rate increases. Water consumption during the year increased by ½ percent. Total operating expenses decreased by approximately 9.2 percent from the prior year. This decrease is mainly due to the \$5.4 million of sink hole expenses in the prior year, with no expenses in the current year. General and administrative costs remained relatively the same as the prior year. Salaries and fringe benefits remained relatively the same as the prior year. Contributions of water lines from developers are significantly lower 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 \$540 and \$620 for current residents, respectively, and between \$570 and \$650 for incoming residents, respectively, during the fiscal year ended March 31, 2019.

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, 2018, and 2019 a subsidy was not necessary. During the prior 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 \$228,125.

Charter Township of Clinton

Management's Discussion and Analysis (continued)

Capital Asset and Debt Administration

The Township's investment in capital assets devoted to its governmental activities had a \$75.3 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 \$42 million.

The Township's investment in capital assets devoted to its business-type activities had \$283.8 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 \$9.4 million, resulting primarily from water main and sanitary sewer replacements and improvements.

As of March 31, 2019, the Township had approximately \$179.9 million in capital assets, net of accumulated depreciation (see Note 5 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 2017). See Note 7 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

Management's Discussion and Analysis (continued)

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, 2019

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
Assets				
Cash and investments (Note 3)	\$ 72,186,700	\$ 32,835,853	\$ 105,022,553	\$ 99,182
Receivables:				
Property taxes	281,427	-	281,427	-
Sales to customers on account	-	6,991,222	6,991,222	-
Other	638,818	3,517	642,335	-
Due from other governmental units	7,130,211	459,428	7,589,639	-
Special assessments - Current	-	231,905	231,905	-
Internal balances (Note 6)	(397,455)	397,455	-	-
Inventory	-	414,277	414,277	-
Prepaid expenses and other assets	1,287,901	22,218	1,310,119	-
Restricted assets (Note 8)	-	2,504,804	2,504,804	-
Investment in joint ventures (Note 11)	-	109,253	109,253	-
Due from fiduciary funds	1,031,605	-	1,031,605	-
Capital assets:				
Assets not subject to depreciation (Note 5)	3,916,096	10,574,647	14,490,743	-
Assets subject to depreciation - Net (Note 5)	38,092,985	169,364,264	207,457,249	697,625
Special assessment - Net of current portion	-	1,804,220	1,804,220	-
Total assets	124,168,288	225,713,063	349,881,351	796,807
Deferred Outflows of Resources				
Deferred charges on bond refunding	-	163,830	163,830	-
Deferred pension costs (Note 13)	42,868,609	1,452,589	44,321,198	-
Deferred OPEB costs (Note 14)	3,548,519	290,412	3,838,931	-
Total deferred outflows of resources	46,417,128	1,906,831	48,323,959	-
Liabilities				
Accounts payable	703,677	4,027,823	4,731,500	-
Accrued liabilities and other	978,696	162,073	1,140,769	-
Payable to joint ventures (Note 11)	2,842,022	-	2,842,022	-
Unearned revenue (Note 15)	8,680	630,700	639,380	-
Noncurrent liabilities: (Note 7)				
Due within one year:				
Compensated absences - Less than one year	900,004	69,874	969,878	-
Current portion of long-term debt	1,442,861	3,804,788	5,247,649	-
Due in more than one year:				
Compensated absences	2,100,006	163,039	2,263,045	-
Refundable bonds and deposits	-	611,463	611,463	-
Net pension liability (Note 13)	115,119,485	10,299,089	125,418,574	-
Net OPEB liability (Note 14)	55,216,316	4,518,921	59,735,237	-
Long-term debt	11,812,587	61,967,384	73,779,971	-
Total liabilities	191,124,334	86,255,154	277,379,488	-
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 13)	3,364,419	60,127	3,424,546	-
Deferred OPEB cost reductions (Note 14)	5,890,589	482,088	6,372,677	-
Total deferred inflows of resources	9,255,008	542,215	9,797,223	-
Net Position				
Net investment in capital assets	28,753,633	116,820,917	145,574,550	697,625
Restricted:				
Fire department services	576,676	-	576,676	-
Street light services	459,365	-	459,365	-
Drug forfeiture activities	242,055	-	242,055	-
Debt service	3,047,680	-	3,047,680	-
Bond covenants	-	527,500	527,500	-
Drainage services	413,694	-	413,694	-
DEA task force	99,654	-	99,654	-
Transportation	100,000	-	100,000	-
Capital projects	-	2,958,613	2,958,613	-
Grants	-	37,504	37,504	-
Unrestricted	(63,486,683)	20,477,991	(43,008,692)	99,182
Total net position	\$ (29,793,926)	\$ 140,822,525	\$ 111,028,599	\$ 796,807

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	\$ 6,240,451	\$ 208,467	\$ 1,611,960	\$ -
Public safety	52,590,031	2,325,188	113,096	24,710
Public works	5,249,715	768,664	-	-
Community and economic development	1,183,080	-	33,516	-
Recreation and culture	2,821,416	488,914	-	-
Interest on long-term debt	465,894	-	-	-
Total governmental activities	68,550,587	3,791,233	1,758,572	24,710
Business-type activities:				
Water and Sewer Fund	38,860,891	45,134,111	16,103	178,460
Senior Housing Fund	1,487,005	2,219,732	-	-
Sanitation Fund	4,654,982	4,074,380	-	-
Special Assessment Fund	1,220,061	1,169,247	-	-
Total business-type activities	46,222,939	52,597,470	16,103	178,460
Total primary government	\$ 114,773,526	\$ 56,388,703	\$ 1,774,675	\$ 203,170
Component units:				
Economic Development Corporation	\$ 3,979	\$ -	\$ -	\$ -
Downtown Development Authority	74,833	-	-	-
Total component units	\$ 78,812	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Gain on sale of capital assets				
Other miscellaneous income				
Total general revenue				

Change in Net Position

Net Position - Beginning of year, as restated (Notes 1 and 18)

Net Position - End of year

Statement of Activities

Year Ended March 31, 2019

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	
\$ (4,420,024)	\$ -	\$ (4,420,024)	\$ -	-
(50,127,037)	-	(50,127,037)	-	-
(4,481,051)	-	(4,481,051)	-	-
(1,149,564)	-	(1,149,564)	-	-
(2,332,502)	-	(2,332,502)	-	-
(465,894)	-	(465,894)	-	-
(62,976,072)	-	(62,976,072)	-	-
-	6,467,783	6,467,783	-	-
-	732,727	732,727	-	-
-	(580,602)	(580,602)	-	-
-	(50,814)	(50,814)	-	-
-	6,569,094	6,569,094	-	-
(62,976,072)	6,569,094	(56,406,978)	-	-
-	-	-	(3,979)	-
-	-	-	(74,833)	-
-	-	-	(78,812)	-
40,968,017	-	40,968,017	-	-
9,079,859	-	9,079,859	-	-
566,073	639,439	1,205,512	4,234	-
93,187	6,065	99,252	-	-
3,469,744	369,897	3,839,641	-	-
54,176,880	1,015,401	55,192,281	4,234	-
(8,799,192)	7,584,495	(1,214,697)	(74,578)	-
(20,994,734)	133,238,030	112,243,296	871,385	-
\$ (29,793,926)	\$ 140,822,525	\$ 111,028,599	\$ 796,807	\$ -

Charter Township of Clinton

Governmental Funds Balance Sheet

March 31, 2019

	General Fund	Fire Fund	Police Fund	Court Building Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and investments (Note 3)	\$ 19,634,653	\$ 18,449,146	\$ 32,272,247	\$ -	\$ 1,830,654	\$ 72,186,700
Receivables:						
Property taxes	281,427	-	-	-	-	281,427
Other	557,624	1,392	71,508	-	8,294	638,818
Due from other governmental units	2,245,180	781,205	941,185	3,047,680	114,961	7,130,211
Due from other funds (Note 6)	789,571	-	-	-	-	789,571
Prepaid expenditures and other assets	898,040	383,265	5,846	750	-	1,287,901
Due from fiduciary funds	1,031,605	-	-	-	-	1,031,605
Total assets	\$ 25,438,100	\$ 19,615,008	\$ 33,290,786	\$ 3,048,430	\$ 1,953,909	\$ 83,346,233
Liabilities						
Accounts payable	\$ 366,012	\$ 97,411	\$ 120,648	\$ -	\$ 119,606	\$ 703,677
Due to other funds (Note 6)	1,166,104	-	-	750	20,172	1,187,026
Accrued liabilities and other	233,268	248,385	359,787	-	1,500	842,940
Unearned revenue	8,680	-	-	-	-	8,680
Total liabilities	1,774,064	345,796	480,435	750	141,278	2,742,323
Deferred Inflows of Resources - Unavailable revenue (Note 15)	692,745	-	-	3,047,680	-	3,740,425
Total liabilities and deferred inflows of resources	2,466,809	345,796	480,435	3,048,430	141,278	6,482,748
Fund Balances						
Nonspendable - Prepays	898,040	377,419	5,846	-	-	1,281,305
Restricted:						
Drainage	-	-	-	-	413,694	413,694
Police (\$16,520,390 for 2020 operations)	-	-	32,804,505	-	99,654	32,904,159
Fire (\$13,537,476 for 2020 operations and \$576,676 for equipment replacement)	-	18,891,793	-	-	-	18,891,793
Drug forfeiture	-	-	-	-	242,055	242,055
Street lighting	-	-	-	-	459,365	459,365
Transportation	-	-	-	-	100,000	100,000
Assigned:						
Subsequent year's budget	5,379,823	-	-	-	-	5,379,823
Workers' compensation claims	250,000	-	-	-	-	250,000
Capital projects	-	-	-	-	497,863	497,863
Unassigned	16,443,428	-	-	-	-	16,443,428
Total fund balances	22,971,291	19,269,212	32,810,351	-	1,812,631	76,863,485
Total liabilities, deferred inflows of resources, and fund balances	\$ 25,438,100	\$ 19,615,008	\$ 33,290,786	\$ 3,048,430	\$ 1,953,909	\$ 83,346,233

Charter Township of Clinton

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

March 31, 2019

Fund Balances Reported in Governmental Funds	\$ 76,863,485
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	42,009,081
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	3,740,425
Payables to joint ventures are not due and payable in the current period and are not reported in the funds	(2,842,022)
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(13,255,448)
Accrued interest is not due and payable in the current period and is not reported in the funds	(24,585)
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	(3,000,010)
Pension benefits	(75,615,295)
Other postemployment healthcare benefits	(57,558,386)
Total employee fringe benefits not reported as fund liabilities	(136,173,691)
Accrued workers' compensation liability is not reported in the governmental funds	(111,171)
Net Position of Governmental Activities	<u>\$ (29,793,926)</u>

Charter Township of Clinton

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended March 31, 2019

	General Fund	Fire Fund	Police Fund	Court Building Debt Service	Nonmajor Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 2,512,251	\$ 17,242,748	\$ 20,744,074	\$ -	\$ 468,944	\$ 40,968,017
Special assessments	-	-	-	-	111,360	111,360
Intergovernmental:						
Federal sources	27,864	3,901	51,957	-	521,831	605,553
State-shared revenue and grants	9,009,326	113,981	233,990	-	-	9,357,297
Licenses and permits	1,634,731	-	-	-	-	1,634,731
Fines and forfeitures	-	-	-	-	177,134	177,134
Interest	344,128	201,717	401,801	-	20,228	967,874
Other revenue:						
Local donations	78,948	-	-	863,955	-	942,903
Other miscellaneous income	4,265,793	60,074	394,967	-	178,759	4,899,593
Total revenue	17,873,041	17,622,421	21,826,789	863,955	1,478,256	59,664,462
Expenditures						
Current services:						
General government	5,836,149	-	-	-	471,530	6,307,679
Public safety	1,939,139	18,139,492	21,315,958	-	152,483	41,547,072
Public works	5,405,385	-	-	-	862,475	6,267,860
Community and economic development	764,296	-	-	-	496,831	1,261,127
Recreation and culture	3,325,891	-	-	-	-	3,325,891
Debt service:						
Principal	91,875	650,000	-	546,000	85,743	1,373,618
Interest on long-term debt	60,321	87,463	-	317,955	-	465,739
Total expenditures	17,423,056	18,876,955	21,315,958	863,955	2,069,062	60,548,986
Excess of Revenue Over (Under) Expenditures	449,985	(1,254,534)	510,831	-	(590,806)	(884,524)
Other Financing Sources (Uses)						
Transfers in (Note 6)	-	-	15,744	-	608,030	623,774
Transfers out (Note 6)	(608,030)	-	-	-	(15,744)	(623,774)
Proceeds from sale of capital assets	68,022	16,417	9,600	-	14,400	108,439
Total other financing (uses) sources	(540,008)	16,417	25,344	-	606,686	108,439
Net Change in Fund Balances	(90,023)	(1,238,117)	536,175	-	15,880	(776,085)
Fund Balances - Beginning of year	23,061,314	20,507,329	32,274,176	-	1,796,751	77,639,570
Fund Balances - End of year	\$ 22,971,291	\$ 19,269,212	\$ 32,810,351	\$ -	\$ 1,812,631	\$ 76,863,485

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, 2019

Net Change in Fund Balances Reported in Governmental Funds	\$ (776,085)
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	2,949,391
Depreciation expense	(2,788,677)
Net book value of assets disposed of	(15,252)
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	(241,156)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,372,083
Interest expense is recorded in the statement of activities when incurred; it is not reported in the governmental funds until paid	1,380
Decrease in accumulated workers' compensation accrual increases net position in the statement of activities	67,380
Other postemployment benefit liability is reported in the statement of activities at the time it is earned, but not in the governmental funds until paid	4,914,142
Pension liability is reported in the statement of activities at the time it is earned, but not in the governmental funds until paid	(10,993,362)
Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	110,084
Expense from joint ventures is not recorded in the funds	(3,399,120)
Change in Net Position of Governmental Activities	<u><u>\$ (8,799,192)</u></u>

Charter Township of Clinton

Proprietary Funds Statement of Net Position

March 31, 2019

	Water and Sewer Fund	Senior Housing Fund	Nonmajor Proprietary Funds	Total Enterprise Funds
Assets				
Current assets:				
Cash and investments (Note 3)	\$ 29,299,836	\$ 1,596,977	\$ 1,939,040	\$ 32,835,853
Receivables:				
Special assessments receivable - Current	-	-	231,905	231,905
Sales to customers on account	6,135,848	-	855,374	6,991,222
Other	-	3,517	-	3,517
Due from other governmental units	440,687	-	18,741	459,428
Due from other funds (Note 6)	1,166,104	-	35,568	1,201,672
Inventory	414,277	-	-	414,277
Prepaid expenses and other assets	-	22,218	-	22,218
Total current assets	37,456,752	1,622,712	3,080,628	42,160,092
Noncurrent assets:				
Restricted assets (Note 8)	2,504,804	-	-	2,504,804
Investment in joint ventures (Note 11)	-	-	109,253	109,253
Capital assets - Net (Note 5)	171,582,155	8,299,907	56,849	179,938,911
Special assessment - Net of current portion	-	-	1,804,220	1,804,220
Total noncurrent assets	174,086,959	8,299,907	1,970,322	184,357,188
Total assets	211,543,711	9,922,619	5,050,950	226,517,280
Deferred Outflows of Resources				
Deferred charges on bond refunding (Note 15)	163,830	-	-	163,830
Deferred pension costs (Note 13)	1,389,419	-	63,170	1,452,589
Deferred OPEB costs (Note 14)	290,412	-	-	290,412
Liabilities				
Current liabilities:				
Accounts payable	3,610,483	111,685	305,655	4,027,823
Due to other funds (Note 6)	35,568	-	768,649	804,217
Accrued liabilities and other	158,602	3,471	-	162,073
Unearned revenue	-	-	630,700	630,700
Compensated absences - Less than one year	69,874	-	-	69,874
Current portion of long-term debt (Note 7)	3,791,038	13,750	-	3,804,788
Total current liabilities	7,665,565	128,906	1,705,004	9,499,475
Noncurrent liabilities:				
Compensated absences	163,039	-	-	163,039
Net pension liability (Note 13)	9,851,201	-	447,888	10,299,089
Net OPEB liability (Note 14)	4,518,921	-	-	4,518,921
Long-term debt (Note 7)	61,753,009	214,375	-	61,967,384
Refundable bonds and deposits	508,578	102,885	-	611,463
Total noncurrent liabilities	76,794,748	317,260	447,888	77,559,896
Total liabilities	84,460,313	446,166	2,152,892	87,059,371
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 13)	57,512	-	2,615	60,127
Deferred OPEB cost reductions (Note 14)	482,088	-	-	482,088
Net Position				
Net investment in capital assets	108,692,286	8,071,782	56,849	116,820,917
Restricted:				
Bond covenants	527,500	-	-	527,500
Capital projects	-	-	2,249,893	2,249,893
Grants	-	37,504	-	37,504
Unrestricted	19,167,673	1,367,167	651,871	21,186,711
Total net position	\$ 128,387,459	\$ 9,476,453	\$ 2,958,613	\$ 140,822,525

Charter Township of Clinton

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

Year Ended March 31, 2019

	Water and Sewer Fund	Senior Housing Fund	Nonmajor Proprietary Funds	Total Enterprise Funds
Operating Revenue				
Charges for sales and services	\$ 44,036,980	\$ -	\$ 5,243,208	\$ 49,280,188
Rent	-	2,198,480	-	2,198,480
Other	598,706	21,252	419	620,377
Total operating revenue	44,635,686	2,219,732	5,243,627	52,099,045
Operating Expenses				
Cost of water and sewage disposal	22,117,707	-	-	22,117,707
Operation and maintenance	1,381,562	1,050,183	5,466,806	7,898,551
General and administrative	2,326,820	-	-	2,326,820
Salaries and fringe benefits	5,530,188	-	387,333	5,917,521
Depreciation	5,424,043	428,462	20,904	5,873,409
Total operating expenses	36,780,320	1,478,645	5,875,043	44,134,008
Operating Income (Loss)	7,855,366	741,087	(631,416)	7,965,037
Nonoperating Revenue (Expense)				
Investment income	548,667	17,353	73,419	639,439
Interest expense	(2,022,585)	(8,360)	-	(2,030,945)
Bond issuance costs	(57,986)	-	-	(57,986)
Gain on disposal of assets	6,065	-	-	6,065
Debt, capital charges, and tap fees	498,425	-	-	498,425
Federal interest subsidy	16,103	-	-	16,103
Other grant revenue	369,897	-	-	369,897
Total nonoperating (expense) revenue	(641,414)	8,993	73,419	(559,002)
Income (Loss) - Before contributions	7,213,952	750,080	(557,997)	7,406,035
Capital Contributions - Lines donated by developers	178,460	-	-	178,460
Change in Net Position	7,392,412	750,080	(557,997)	7,584,495
Net Position - Beginning of year, as restated (Note 1)	120,995,047	8,726,373	3,516,610	133,238,030
Net Position - End of year	\$ 128,387,459	\$ 9,476,453	\$ 2,958,613	\$ 140,822,525

Charter Township of Clinton

Proprietary Funds Statement of Cash Flows

Year Ended March 31, 2019

	Water and Sewer Fund	Senior Housing Fund	Nonmajor Proprietary Funds	Total Enterprise Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 45,430,554	\$ 2,221,858	\$ 4,901,332	\$ 52,553,744
Internal activity - Payments from other funds	(969,251)	-	1,220,000	250,749
Payments to suppliers	(25,641,063)	(988,617)	(5,162,380)	(31,792,060)
Payments to employees	(5,914,813)	-	(281,885)	(6,196,698)
Other receipts (payments)	-	-	(5,718)	(5,718)
Net cash and cash equivalents provided by operating activities	12,905,427	1,233,241	671,349	14,810,017
Cash Flows from Capital and Related Financing Activities				
Proceeds from capital debt	461,597	-	-	461,597
Proceeds from grants	369,897	-	-	369,897
Proceeds from sale of capital assets	6,065	-	-	6,065
Purchase of capital assets	(7,161,935)	-	-	(7,161,935)
Principal and interest paid on capital debt	(5,713,677)	(21,635)	-	(5,735,312)
Collection of debt, capital charges, and tap fees	498,425	-	-	498,425
Net cash used in capital and related financing activities	(11,539,628)	(21,635)	-	(11,561,263)
Cash Flows Provided by Investing Activities - Interest received on investments	548,667	17,353	73,419	639,439
Net Increase in Cash and Cash Equivalents	1,914,466	1,228,959	744,768	3,888,193
Cash and Cash Equivalents - Beginning of year	27,385,370	368,018	1,194,272	28,947,660
Cash and Cash Equivalents - End of year	\$ 29,299,836	\$ 1,596,977	\$ 1,939,040	\$ 32,835,853
Statement of Net Position Classification of Cash and Cash Equivalents - Cash and investments per statement of net position	\$ 29,299,836	\$ 1,596,977	\$ 1,939,040	\$ 32,835,853
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 7,855,366	\$ 741,087	\$ (631,416)	\$ 7,965,037
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	5,424,043	428,462	20,904	5,873,409
Changes in assets and liabilities:				
Receivables	794,868	2,126	(348,013)	448,981
Due to other funds	(969,251)	-	1,220,000	250,749
Inventories	(117,428)	-	-	(117,428)
Investments in joint ventures	-	-	14,860	14,860
Prepaid and other assets	6,162	(626)	-	5,536
Accrued and other liabilities	(384,625)	-	387,333	2,708
Accounts payable	296,292	62,192	7,681	366,165
Net cash provided by operating activities	\$ 12,905,427	\$ 1,233,241	\$ 671,349	\$ 14,810,017
Significant Noncash Investing and Financing Transactions - Contribution of capital assets from developers and other funds	\$ 178,460	\$ -	\$ -	\$ 178,460

Charter Township of Clinton

**Fiduciary Funds
Statement of Net Position**

March 31, 2019

	<u>Pension and Other Employee Benefit Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ -	\$ 1,352,063
Investments:		
Cash and investments held as collateral under securities lending agreements	2,159,282	-
Bank investment pools and money market funds	23,067,435	-
Domestic stock	21,459,339	-
Foreign stock	1,803,065	-
Mutual funds	89,498,501	-
Real estate investment trusts	4,113,980	-
Limited partnerships	27,967,958	-
Hedge funds	5,119,667	-
Receivables	-	50
Prepaid expenses and other assets	942,729	-
Total assets	176,131,956	\$ 1,352,113
Liabilities		
Accounts payable	93,763	\$ 207,000
Due to other funds	1,031,605	-
Refundable deposits, bonds, etc.	-	1,145,113
Payable to joint ventures	2,159,282	-
Total liabilities	3,284,650	\$ 1,352,113
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 172,847,306	

**Fiduciary Funds
Statement of Changes in Net Position**

Year Ended March 31, 2019

	<u>Pension and Other Employee Benefit Trust Funds</u>
Additions	
Investment income (loss):	
Interest and dividends	\$ 4,282,746
Net decrease in fair value of investments	(1,188,577)
Investment-related expenses	<u>(773,274)</u>
Net investment income	2,320,895
Securities lending income - Interest and dividends	4,886
Contributions:	
Employer	15,210,427
Employee	<u>1,658,402</u>
Total contributions	<u>16,868,829</u>
Total additions	19,194,610
Deductions	
Benefit payments and annuity withdrawals	15,276,858
Administrative expenses	<u>268,411</u>
Total deductions	<u>15,545,269</u>
Net Increase in Net Position Held in Trust	3,649,341
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>169,197,965</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 172,847,306</u></u>

Charter Township of Clinton

Component Units Statement of Net Position

March 31, 2019

	Economic Development Corporation	Downtown Development Authority	Total
Assets			
Cash and investments (Note 3)	\$ 99,182	\$ -	\$ 99,182
Capital assets being depreciated - Net (Note 5)	-	697,625	697,625
Total assets	99,182	697,625	796,807
Net Position			
Net investment in capital assets	-	697,625	697,625
Unrestricted	99,182	-	99,182
Total net position	<u>\$ 99,182</u>	<u>\$ 697,625</u>	<u>\$ 796,807</u>

Charter Township of Clinton

**Component Units
Statement of Activities**

Year Ended March 31, 2019

	Net (Expense) Revenue and Changes in Net Position			Total
	Expenses	Economic Development Corporation	Downtown Development Authority	
Functions/Programs				
Economic Development Corporation	\$ 3,979	\$ (3,979)	\$ -	\$ (3,979)
Downtown Development Authority	74,833	-	(74,833)	(74,833)
Total component units	<u>\$ 78,812</u>	(3,979)	(74,833)	(78,812)
General revenue - Investment income		4,234	-	4,234
Change in Net Position		255	(74,833)	(74,578)
Net Position - Beginning of year, as restated (Note 18)		98,927	772,458	871,385
Net Position - End of year		<u>\$ 99,182</u>	<u>\$ 697,625</u>	<u>\$ 796,807</u>

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

The 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 Nos. 61 and 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.

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 57 of the Public Acts of Michigan of 2018, 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.

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.

Note 1 - Significant Accounting Policies (Continued)

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.

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.

Note 1 - Significant Accounting Policies (Continued)

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 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 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.

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.

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.

Note 1 - Significant Accounting Policies (Continued)

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, there was no interest expense that was capitalized as part of the cost of assets under construction.

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

	<u>Depreciable Life - Years</u>
Structures, mains, and laterals	25 to 50
Infrastructure	50
Meters	10 to 20
Land improvements	15
Buildings and improvements	25 to 50
Office furniture and equipment	5
Operating equipment	10
Vehicles	3 to 10

Note 1 - Significant Accounting Policies (Continued)

Long-term Obligations

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

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, net OPEB 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; net OPEB 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.

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).

Note 1 - Significant Accounting Policies (Continued)

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 2018 taxable valuation (real and personal property) of the Township totaled \$2,839,641,457, on which ad valorem taxes levied consisted of 0.8141 mills for the Township's operating purposes, 2.2001 mills for fire operating purposes, 2.4687 mills for police operating purposes. The ad valorem taxes generated \$2,311,752 for general operations, \$6,247,495 for fire operations, and \$7,010,223 for police operations. The 2018 real property taxable valuation of the Township totaled \$2,694,593,057, on which special assessments levied consisted of 5 mills for police operations and 4 mills for fire operations. The special assessment levies generated \$13,472,965 for police operations and \$10,778,372 for fire operations. The industrial facilities tax roll generated \$5,788 for general operations, \$35,117 for police operations, and \$29,694 for fire operations. 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.

Other Postemployment Benefit Costs

The Township offers retiree healthcare benefits to retirees. The Township records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1 - Significant Accounting Policies (Continued)

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

During the current year, the Township adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45. As a result, the government-wide statements and proprietary funds now include a liability for the Township's estimated unfunded other postemployment benefit (OPEB) costs. Some of the changes in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the other postemployment benefit plan disclosure (see Note 14) for further details. This change does not impact the modified accrual funds.

Note 1 - Significant Accounting Policies (Continued)

The financial statements for the year ended March 31, 2018 have been restated in order to adopt GASB Statement No. 75. The effect of this new standard was a decrease in net position to record the net OPEB liability at March 31, 2018. Additionally, the net OPEB obligation previously recorded in the government-wide statements and proprietary funds in accordance with GASB Statement No. 45 has been eliminated, and the overall result was an decrease in net position as of the beginning of the current fiscal year.

	Primary Government		Total	Water and Sewer Fund
	Governmental Activities	Business-type Activities		
Net position - Beginning of year, as previously reported	\$ 55,625,191	\$ 138,268,546	\$ 193,893,737	\$ 126,025,563
Adjustment for GASB Statement No. 75 - To record the net OPEB liability	(62,472,528)	(5,030,516)	(67,503,044)	(5,030,516)
Adjustment for GASB Statement No. 75 - To remove the net OPEB asset	(14,147,397)	-	(14,147,397)	-
Net position - Beginning of year, as restated	<u>\$ (20,994,734)</u>	<u>\$ 133,238,030</u>	<u>\$ 112,243,296</u>	<u>\$ 120,995,047</u>

Upcoming Accounting Pronouncements

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.

March 31, 2019

Note 1 - Significant Accounting Policies (Continued)

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending March 31, 2020.

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.

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:

Cumulative expenditures over revenue - April 1, 2018	\$ (5,469,000)
Plus permit revenue	1,635,000
Less expenditures	<u>(1,938,000)</u>
Cumulative expenditures over revenue - March 31, 2019	<u>\$ (5,772,000)</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.

Note 3 - Deposits and Investments (Continued)

The Fire and Police Pension System 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, 2019 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, 2019, the Fire and Police Pension System had no credit risk exposure to borrowers.

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 \$115 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 and other postemployment benefits (OPEB) fund do not have an investment policy for custodial credit risk. At year end, the pension system and OPEB fund had no bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The pension system and OPEB fund evaluate each financial institution with which they deposit funds and assess 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.

March 31, 2019

Note 3 - Deposits and Investments (Continued)

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	\$ 14,772,628	\$ 14,772,628	\$ -	\$ -	\$ -
Debt mutual funds	15,416,937	-	-	15,416,937	-
Total	<u>\$ 30,189,565</u>	<u>\$ 14,772,628</u>	<u>\$ -</u>	<u>\$ 15,416,937</u>	<u>\$ -</u>

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	\$ 14,772,628	Not rated	N/A
Debt mutual funds	15,416,937	AAA to BB	S&P, Moody's, or Fitch
Total	<u>\$ 30,189,565</u>		

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, 2019, only United States currency was received as collateral.

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, 2019 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, 2019, the retirement system had no credit risk exposure to borrowers. The collateral held on loans for the pension system as of March 31, 2019 was \$2,159,282.

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.

March 31, 2019

Note 4 - Fair Value Measurements (Continued)

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 (NAV) 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.

The Township has the following recurring fair value measurements as of March 31, 2019:

	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, 2019
Investments by Fair Value Level				
Equity securities:				
Mutual funds	\$ 89,498,501	\$ -	\$ -	\$ 89,498,501
Domestic stock	21,459,339	-	-	21,459,339
Foreign stock	1,803,065	-	-	1,803,065
Total equity securities	112,760,905	-	-	112,760,905
Alternative investments:				
Limited partnerships	-	-	17,320,220	17,320,220
Hedge funds	-	-	1,147,426	1,147,426
Total alternative investments	-	-	18,467,646	18,467,646
Total investments by fair value level	<u>\$ 112,760,905</u>	<u>\$ -</u>	<u>\$ 18,467,646</u>	131,228,551
Investments Measured at NAV				
Limited partnerships				10,647,738
Real estate investment trusts				4,113,980
Hedge funds				<u>3,972,241</u>
Total investments measured at NAV				<u>18,733,959</u>
Total investments measured at fair value				<u>\$ 149,962,510</u>

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

Note 4 - Fair Value Measurements (Continued)

The fair value of alternative investments at March 31, 2019 was determined primarily based on Level 3 inputs. The Township estimates the fair value of these investments using audited financial statements of the investments.

Investments in Entities that Calculate Net Asset Value per Share

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

At March 31, 2019, 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	\$ 10,647,738	\$ 2,502,258	Quarterly	90 - 95 days
Real estate investment trusts	4,113,980	-	Quarterly	45 days
Hedge funds	3,972,241	-	Quarterly	45 days
Total investments measured at NAV	<u>\$ 18,733,959</u>	<u>\$ 2,502,258</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 non-investment 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, 2019.

March 31, 2019

Note 5 - Capital Assets

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

Governmental Activities

	Balance April 1, 2018	Additions	Disposals	Balance March 31, 2019
Capital assets not being depreciated - Land	\$ 3,916,096	\$ -	\$ -	\$ 3,916,096
Capital assets being depreciated:				
Buildings and improvements	44,137,694	291,176	-	44,428,870
Operating equipment	6,459,873	898,876	(138,378)	7,220,371
Vehicles	7,397,711	1,238,808	(174,201)	8,462,318
Office furniture and equipment	5,044,718	80,046	(272,617)	4,852,147
Land improvements	5,999,545	153,970	-	6,153,515
Infrastructure assets	3,864,710	286,515	-	4,151,225
Subtotal	72,904,251	2,949,391	(585,196)	75,268,446
Accumulated depreciation:				
Buildings and improvements	18,682,870	1,132,238	-	19,815,108
Operating equipment	4,549,179	370,376	(123,126)	4,796,429
Vehicles	4,335,686	673,038	(174,201)	4,834,523
Office furniture and equipment	4,326,864	242,060	(272,617)	4,296,307
Land improvements	2,482,659	293,801	-	2,776,460
Infrastructure assets	579,470	77,164	-	656,634
Subtotal	34,956,728	2,788,677	(569,944)	37,175,461
Net capital assets being depreciated	37,947,523	160,714	(15,252)	38,092,985
Net governmental activities capital assets	<u>\$ 41,863,619</u>	<u>\$ 160,714</u>	<u>\$ (15,252)</u>	<u>\$ 42,009,081</u>

March 31, 2019

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance April 1, 2018	Additions	Transfers from Construction in Progress	Disposals and Adjustments	Balance March 31, 2019
Capital assets not being depreciated:					
Land	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
Construction in progress	11,617,478	5,787,042	(7,829,873)	-	9,574,647
Subtotal	12,617,478	5,787,042	(7,829,873)	-	10,574,647
Capital assets being depreciated:					
Structures, mains, and laterals	245,366,458	898,748	7,829,873	-	254,095,079
Meters	5,219,621	-	-	-	5,219,621
Buildings and improvements	15,933,773	-	-	-	15,933,773
Equipment	4,147,378	188,645	-	-	4,336,023
Vehicles	2,910,205	465,960	-	(81,385)	3,294,780
Furniture and fixtures	600,500	-	-	(26,823)	573,677
Land improvements	349,173	-	-	-	349,173
Subtotal	274,527,108	1,553,353	7,829,873	(108,208)	283,802,126
Accumulated depreciation:					
Structures, mains, and laterals	90,065,420	4,624,193	-	-	94,689,613
Meters	4,209,440	111,773	-	-	4,321,213
Buildings and improvements	8,244,467	405,184	-	-	8,649,651
Equipment	3,170,152	353,697	-	-	3,523,849
Vehicles	2,107,725	341,964	-	(81,385)	2,368,304
Furniture and fixtures	565,345	13,320	-	(26,823)	551,842
Land improvements	310,112	23,278	-	-	333,390
Subtotal	108,672,661	5,873,409	-	(108,208)	114,437,862
Net capital assets being depreciated	165,854,447	(4,320,056)	7,829,873	-	169,364,264
Net business-type activity capital assets	\$ 178,471,925	\$ 1,466,986	\$ -	\$ -	\$ 179,938,911

Component Units

	Balance April 1, 2018	Additions	Disposals and Adjustments	Balance March 31, 2019
Capital assets being depreciated - Land improvements	\$ 883,772	\$ -	\$ -	\$ 883,772
Accumulated depreciation - Land improvements	163,201	22,946	-	186,147
Net capital assets being depreciated	\$ 720,571	\$ (22,946)	\$ -	\$ 697,625

Construction in progress includes the following:

- \$2,996,143 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, 2019

Note 5 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 440,122
Public safety		1,407,447
Public works		289,854
Recreation and senior activities		340,533
Infrastructure assets constructed by special assessment fund		<u>310,721</u>
Total governmental activities		<u>\$ 2,788,677</u>
Business-type activities:		
Water and sewer		\$ 5,424,043
Sanitation		20,904
Senior housing		<u>428,462</u>
Total business-type activities		<u>\$ 5,873,409</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Court Building Debt Service Fund	\$ 750
	Other nonmajor funds	<u>789,571</u>
	Total General Fund	790,321
Water and Sewer Fund	General Fund	1,166,104
Other nonmajor funds	Water and Sewer Fund	<u>35,568</u>
	Total	<u>\$ 1,991,993</u>

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund (2)	Other nonmajor funds	\$ 608,030
Other nonmajor funds (1)	Police Fund	<u>15,744</u>
	Total	<u>\$ 623,774</u>

(1) Transfer of remaining cash in debt service fund after bonds were repaid.

(2) Transfer for road paving projects and sidewalk projects.

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.

March 31, 2019

Note 7 - Long-term Debt (Continued)

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

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

The Township financed a portion of a state-mandated project to construct water pollution control facilities through the Michigan State Revolving Loan Fund Program (SRF). A principal and interest payment schedule will be finalized upon completion of the project for the loan. The preliminary principal and interest payment schedule is used up to the amount of advances as of March 31, 2019. As a result, the payment schedule for the balance of the 20-year repayment period will increase as the funds are advanced.

Long-term obligation activity for the year ended March 31, 2019 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Fire Building Refunding Bonds - Series 2011:							
Amount of issue - \$6,355,000	3.00% -	\$670,000 -	\$ 2,715,000	\$ -	\$ (650,000)	\$ 2,065,000	\$ 670,000
Maturing through 2022	3.50%	\$710,000					
41-B District Court Refunding Bonds - Series 2015:							
Amount of issue - \$11,447,000		\$642,000 -	10,070,000	-	(546,000)	9,524,000	642,000
Maturing through 2031	3.15%	\$926,000					
Capital Improvement Bonds - Series 2010:							
Amount of issue \$2,187,500	2.875% -	\$96,250 -	1,688,750	-	(91,875)	1,596,875	96,250
Maturing through 2032	4.00%	\$157,500					
MDOT Infrastructure Loan:							
Loan amount - \$477,720							
Maturing through 2019	1.00%	-	49,936	-	(49,936)	-	-
MDOT Infrastructure Loan:							
Loan amount - \$334,405		\$34,611 -					
Maturing through 2021	1.00%	\$34,962	103,845	-	(34,272)	69,573	34,611
Total bond/loan obligations			14,627,531	-	(1,372,083)	13,255,448	1,442,861
Other long-term obligations - Compensated absences			3,110,096	-	(110,086)	3,000,010	900,004
Total governmental activities			\$ 17,737,627	\$ -	\$ (1,482,169)	\$ 16,255,458	\$ 2,342,865

March 31, 2019

Note 7 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Capital Improvement Bonds - Series 2010: Amount of issue - \$312,500 Maturing through 2032	2.875% - 4.00%	\$ 241,250	\$ -	\$ (13,125)	\$ 228,125	\$ 13,750
Revenue Bonds - CWRP Project 5191-01: Amount of issue - \$1,405,000 Maturing through 2024	2.13%	485,000	-	(75,000)	410,000	80,000
Revenue Bonds - SQWIF Project 3001-01: Amount of issue - \$270,000 Maturing through 2024	1.63%	68,471	-	(10,000)	58,471	10,000
Revenue Bonds - SRF Project 5525-01: Amount of issue - \$5,630,000 Maturing through 2034	2.50%	4,582,150	-	(220,000)	4,362,150	225,000
Revenue Bonds - SRF Project 5525-02: Amount of issue - \$5,035,000 Maturing through 2035	2.50%	3,722,899	-	(205,000)	3,517,899	210,000
Revenue Refunding Bonds - Series 2015: Amount of issue - \$7,528,000 Maturing through 2026	2.070%	6,129,000	-	(854,000)	5,275,000	890,000
Revenue Bonds - SRF Project 5525-03: Amount of issue - \$2,575,000 Maturing through 2036	2.50%	1,956,281	461,597	(105,000)	2,312,878	105,000
County drain contract obligations: North Gratiot Interceptor Drainage District - Series 2010: Amount of issue - \$172,370 Maturing through 2035	4.55% - 6.35%	130,283	-	(5,515)	124,768	6,096
North Gratiot Interceptor Drainage District - Series 2015: Amount of issue- \$1,409,785 Maturing through 2033	3.50% - 5.00%	1,293,202	-	(79,658)	1,213,544	80,488
2010A OMID Drainage District (SRF): Amount of issue - \$2,932,468 Maturing through 2031	2.50%	2,068,116	-	(136,087)	1,932,029	140,010
2010B OMID Drainage District: Amount of issue - \$753,472 Maturing through 2030	4.70% - 5.90%	534,741	-	(33,175)	501,566	34,862
2011 OMID Drainage District: Amount of issue - \$3,524,966 Maturing through 2033	2.50%	2,951,971	-	(152,571)	2,799,400	156,021
2011 MID Drainage District (Clintondale): Amount of issue - \$6,725,673 Maturing through 2031	5.00%	5,295,376	-	(283,876)	5,011,500	305,712
2013A OMID Drainage District: Amount of issue - \$7,691,967 Maturing through 2034	2.00%	6,723,077	-	(335,934)	6,387,143	341,443
2014A OMID Drainage District: Amount of issue - \$1,124,653 Maturing through 2034	2.00% - 3.125%	991,747	-	(46,634)	945,113	47,411
2015 OMID Drainage District: Amount of issue - \$2,249,648 Maturing through 2036	2.50%	2,072,114	-	(92,742)	1,979,372	95,391
2015A MID Drainage District: Amount of issue - \$805,071 Maturing through 2035	2.50%	569,559	-	(32,842)	536,717	33,955
2017 MID Drainage District: Amount of issue - \$25,380,662 Maturing through 2042	5.00%	24,609,676	-	(753,972)	23,855,704	792,634
Total bond obligations		64,424,913	461,597	(3,435,131)	61,451,379	3,567,773
Compensated absences		241,544	-	(8,631)	232,913	69,874
Bond issuance premium		4,558,236	-	(237,443)	4,320,793	237,015
Total business-type activities		\$ 69,224,693	\$ 461,597	\$ (3,681,205)	\$ 66,005,085	\$ 3,874,662

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
2020	\$ 1,442,861	\$ 424,839	\$ 1,867,700	\$ 3,567,773	\$ 2,183,563	\$ 5,751,336
2021	1,452,212	381,343	1,833,555	3,674,056	2,069,565	5,743,621
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	823,375	260,944	1,084,319	3,478,567	1,704,838	5,183,405
2025-2029	4,946,375	866,833	5,813,208	17,796,170	6,677,804	24,473,974
2029-2033	2,318,625	115,574	2,434,199	16,802,264	3,481,068	20,283,332
2034-2038	-	-	-	5,933,157	1,160,246	7,093,403
2039-2042	-	-	-	2,409,750	244,797	2,654,547
Total	<u>\$ 13,255,448</u>	<u>\$ 2,672,583</u>	<u>\$ 15,928,031</u>	<u>\$ 61,451,379</u>	<u>\$ 21,300,561</u>	<u>\$ 82,751,940</u>

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 \$18,823,406. 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 \$12,637,995, compared to annual debt requirements of \$1,858,443.

Defeased Debt

In prior years, the Township defeased certain 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, 2019, \$2,875,000 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.

March 31, 2019

Note 8 - Restricted Assets (Continued)

Unspent bond proceeds are as follows:

Due from Oakland County	\$ 809,457
Due from Macomb County	<u>1,695,347</u>
Total	<u>\$ 2,504,804</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.

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:

	<u>Workers' Compensation</u>		<u>Medical Claims</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Estimated liability (asset) - Beginning of year	\$ 178,550	\$ 192,521	\$ (79,823)	\$ (366,557)
Estimated claims incurred, including changes in estimates	4,232	83,195	7,336,578	7,002,711
Claim payments	<u>(71,612)</u>	<u>(97,166)</u>	<u>(7,433,079)</u>	<u>(6,715,977)</u>
Estimated liability (asset) - End of year	<u>\$ 111,170</u>	<u>\$ 178,550</u>	<u>\$ (176,324)</u>	<u>\$ (79,823)</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 \$30 million in construction projects, but until we have final approval from both Macomb County, Michigan and the 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, 2019

Note 10 - Commitments and Contingencies (Continued)

Construction Commitments

The Charter Township of Clinton has active construction projects at year end. As of March 31, 2019, the Township's commitments with contractors are as follows:

	Spent to Date	Retainages Payable	Remaining Commitment
District E Golden Relief Sewer	\$ -	\$ -	\$ 1,467,568
14 Mile & Gratiot PRV	195,001	21,667	282,303
Log Cabin Restoration	27,000	3,000	60,915
District A Phase 2 (ACO)	895,949	48,824	31,706
Zone 6 Manhole Rehab	125,066	3,207	7,310
Zone 8 & 10 Sanitary Sewer Repair	459,126	5,000	33,767
Zone 8 & 10 Sanitary Sewer Lining	1,925,362	25,000	10,423
Sewer Trunkline TV & Cleaning	304,044	33,783	55,016
Garfield Rd Water Main Crossing Replacement	132,566	6,977	6,454
Golden Water Main Replacement	-	-	351,046
Little Millar Pump Station Imp	-	-	200,995
Abela Water Main Replacement	-	-	285,279
Lakewood Street Paving	454	-	145,125
Abela Street Paving	510	-	315,355
Picton Court Paving	471	-	159,765
Cost Share 19/20 Project - Little Mack	-	-	765,828
Cost Share 19/20 Project - Garfield-Miller to Metro	-	-	574,016
Cost Share 19/20 Project - Garfield-19 Mile to Hall	-	-	375,000
Cost Share 19/20 Project - Kelly Groesbeck to 15	-	-	600,000
Cost Share 19/20 Project - Garfield 17 to 19 Mile	-	-	750,000
Total	<u>\$ 4,065,549</u>	<u>\$ 147,458</u>	<u>\$ 6,477,871</u>

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.

Note 11 - Joint Ventures (Continued)

The Township is also a member of the 41-B District Court Common Fund (the "Court"), a joint venture that provides judiciary services to the City of Mount Clemens, Michigan and the charter townships of Clinton and Harrison. The township board of trustees appoints one member to the Court's management council, which has the responsibility of reviewing financial matters of the Court, including annual budget requests. The expenses of the Court are divided among three communities in proportion to the volume of cases attributable to each community. Fines and fees collected from within the communities are distributable to the communities net of their allocation of the Court's expenditures. The Township has also recorded its interest in the capital assets, the related bonded debt obligations, and the equity loss 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 \$23,446.

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 \$1,139,034, resulting in an employer contribution of \$143,000 and employee contributions of \$141,758.

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 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 or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Plan Description - 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.

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).

Note 13 - Defined Benefit Pension Plans (Continued)

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 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 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 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 times the first 25 years of credited service (maximum is 70 percent of AFC).

Average final compensation 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 December 31, 2018 and March 31, 2019, the measurement dates for MERS and fire and police pension plan, respectively, the following employees were covered by the benefit terms:

	Municipal Employees' Retirement System of Michigan	Charter Township of Clinton Fire and Police Pension System
Date of member count	December 31, 2018	March 31, 2019
Inactive plan members or beneficiaries currently receiving benefits	202	184
Inactive plan members entitled to but not yet receiving benefits	16	6
Active plan members	152	163
Total employees covered by the plan	<u>370</u>	<u>353</u>

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, 2019, the average active employee contribution rate was 6.1 percent of annual pay, and the Township's average contribution rate was 47.8 percent of annual payroll.

Note 13 - Defined Benefit Pension Plans (Continued)

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, 2019, the average active member contribution rate was 8.45 percent of annual pay, and the Township's average contribution rate was 31.19 percent of annual payroll.

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, 2019:

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
Total	100.00 %

Rate of Return - Fire and Police Pension System

For the year ended March 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.46 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.

March 31, 2019

Note 13 - Defined Benefit Pension Plans (Continued)

The balances of the reserve accounts at March 31, 2019 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 96,888,078	\$ 96,888,078
Employee reserve	12,556,594	12,556,594
Employer reserve	-	8,208,391
Total	\$ 109,444,672	\$ 117,653,063

Net Pension Liability - MERS

The net pension liability reported at March 31, 2019 was determined using a measure of the total pension liability and the pension net position as of December 31, 2018. The December 31, 2018 total pension liability was determined by an actuarial valuation performed as of that date.

Net Pension Liability - Fire and Police Pension System

The Township has chosen to use March 31, 2019 as its measurement date for the net pension liability. The March 31, 2019 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of March 31, 2019. The March 31, 2019 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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 74,460,470	\$ 45,902,251	\$ 28,558,219
Changes for the year:			
Service cost	1,107,129	-	1,107,129
Interest	5,795,488	-	5,795,488
Differences between expected and actual experience	56,050	-	56,050
Contributions - Employer	-	4,372,958	(4,372,958)
Contributions - Employee	-	554,290	(554,290)
Net investment income	-	(1,820,867)	1,820,867
Benefit payments, including refunds	(5,140,873)	(5,140,873)	-
Administrative expenses	-	(89,082)	89,082
Net changes	1,817,794	(2,123,574)	3,941,368
Balance at December 31, 2018	\$ 76,278,264	\$ 43,778,677	\$ 32,499,587

Note 13 - Defined Benefit Pension Plans (Continued)

Changes in the net pension liability during the measurement year for the Charter Township of 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
Balance at April 1, 2018	\$ 192,877,346	\$ 120,869,172	\$ 72,008,174
Changes for the year:			
Service cost	4,248,144	-	4,248,144
Interest	11,435,158	-	11,435,158
Differences between expected and actual experience	3,683,475	-	3,683,475
Changes in assumptions	9,055,199	-	9,055,199
Contributions - Employer	-	4,725,185	(4,725,185)
Contributions - Employee	-	1,279,615	(1,279,615)
Net investment income	-	1,668,474	(1,668,474)
Benefit payments, including refunds	(10,727,271)	(10,727,271)	-
Administrative expenses	-	(162,111)	162,111
Net changes	17,694,705	(3,216,108)	20,910,813
Balance at March 31, 2019	\$ 210,572,051	\$ 117,653,064	\$ 92,918,987

Assumption Changes

During the year, the discount rate was decreased from 6.03 percent to 5.67 percent. The 5.67 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.

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

For the year ended March 31, 2019, the Township recognized pension expense of \$4,793,810.

At March 31, 2019, 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	\$ 42,038	\$ (189,732)
Net difference between projected and actual earnings on pension plan investments	3,178,194	-
Employer contributions to the plan subsequent to the measurement date	1,363,525	-
Total	\$ 4,583,757	\$ (189,732)

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 (exclusive of employer contributions to the plan made subsequent to the measurement date of \$1,363,525, which will impact the net pension liability in fiscal year 2019, rather than pension expense) as follows:

Years Ending December 31	Amount
2019	\$ 1,000,942
2020	311,827
2021	644,419
2022	1,073,310

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, 2019, the Township recognized pension expense of \$16,335,322. At March 31, 2019, 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	\$ 4,087,023	\$ (578,715)
Changes in assumptions	28,221,997	(2,656,099)
Net difference between projected and actual earnings on pension plan investments	7,428,421	-
Total	<u>\$ 39,737,441</u>	<u>\$ (3,234,814)</u>

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

Years Ending March 31	Amount
2020	\$ 10,651,540
2021	8,648,320
2022	7,474,537
2023	7,605,119
2024	2,123,111

Note 13 - Defined Benefit Pension Plans (Continued)

Actuarial Assumptions - MERS and Fire and Police Pension System

The total pension liability in the December 31, 2018 and March 31, 2019 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	Charter Township of Clinton Fire and Police Pension System
Inflation	2.50%	2.50%
Salary increases (including inflation)	3.75%	4.20% - 8.00%
Investment rate of return (net of investment expenses)	7.00%	7.50%

Mortality Table - 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, 2018 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.

Mortality Table - Fire and Police Pension System

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

Note 13 - Defined Benefit Pension Plans (Continued)

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 5.67 percent at the March 31, 2019 measurement date, which is a decrease from the discount rate used at the March 31, 2018 measurement date of 6.03 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows - 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, 2018, the measurement date, for each major asset class are summarized in the following table:

Municipal Employees' Retirement System of Michigan

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 3.08 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, 2020 through March 31, 2062, and the municipal bond rate was applied to the remaining periods.

March 31, 2019

Note 13 - Defined Benefit Pension Plans (Continued)

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, 2019 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 %	5.20 %
International equity	10.00	5.00
Asset allocation	15.00	2.20
Real estate	15.00	4.40
Fixed income	15.00	2.00
Hedge funds and alternative investments	20.00	4.70

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 or 1 percentage point higher than the current rate:

	1 Percent Decrease (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability of the Municipal Employees' Retirement System of Michigan	\$ 39,902,406	\$ 32,499,587	\$ 26,139,114

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 5.67 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 (4.67 percent) or 1 percentage point higher (6.67 percent) than the current rate:

	1 Percent Decrease (4.67%)	Current Discount Rate (5.67%)	1 Percent Increase (6.67%)
Net pension liability of the Charter Township of Clinton Fire and Police Pension System	\$ 121,976,330	\$ 92,918,987	\$ 69,298,685

Note 13 - Defined Benefit Pension Plans (Continued)

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 have 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, 2019, the plan has \$2,643,751 accumulated in DROP accounts.

Note 14 - Other Postemployment Benefit Plan

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.

The financial statements of the OPEB plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

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 30, 2018, the date of the most recent actuarial valuation:

Date of member count	September 30, 2018
Inactive plan members or beneficiaries currently receiving benefits	371
Active plan members	<u>240</u>
Total plan members	<u><u>611</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, 2019, the Township made plan contributions of \$10,485,242, of which \$4,083,152 was deemed to be actuarially required. Plan members are required to contribute at various rates, as determined by applicable collective bargaining agreements.

March 31, 2019

Note 14 - Other Postemployment Benefit Plan (Continued)

Net OPEB Liability

The Township has chosen to use the March 31 measurement date as its measurement date for the net OPEB liability. The March 31, 2019 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the March 31, 2019 measurement date. The March 31, 2019 measurement date total OPEB liability was determined by rolling forward from an actuarial valuation performed as of September 30, 2018.

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at April 1, 2018	\$ 115,831,835	\$ 48,328,791	\$ 67,503,044
Changes for the year:			
Service cost	2,211,226	-	2,211,226
Interest	8,586,624	-	8,586,624
Differences between expected and actual experience	(8,428,379)	-	(8,428,379)
Changes in assumptions	1,626,437	-	1,626,437
Contributions - Employer	-	10,485,242	(10,485,242)
Contributions - Employee	-	378,787	(378,787)
Net investment income	-	598,199	(598,199)
Benefit payments, including refunds	(4,898,265)	(4,898,265)	-
Administrative expenses	-	(47,190)	47,190
Miscellaneous other charges	-	348,677	(348,677)
Net changes	(902,357)	6,865,450	(7,767,807)
Balance at March 31, 2019	<u>\$ 114,929,478</u>	<u>\$ 55,194,241</u>	<u>\$ 59,735,237</u>

The plan's fiduciary net position represents 48.02 percent of the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended March 31, 2019, the Township recognized OPEB expense of \$5,251,180.

At March 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (6,372,677)
Changes in assumptions	1,229,745	-
Net difference between projected and actual earnings on OPEB plan investments	2,609,186	-
Total	<u>\$ 3,838,931</u>	<u>\$ (6,372,677)</u>

March 31, 2019

Note 14 - Other Postemployment Benefit Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB (income) expense as follows:

Years Ending March 31	Amount
2020	\$ (1,006,714)
2021	(1,006,714)
2022	(1,006,714)
2023	486,396

Actuarial Assumptions

The total OPEB liability in the March 31, 2019 actuarial valuation was determined using an inflation assumption of 2.5 percent; no assumed salary increases (including inflation); an investment rate of return (net of investment expenses) of 7.5 percent; a healthcare cost trend rate of 6.0 percent for 2019, decreasing 0.1 percent per year to an ultimate rate of 5.0 percent; and using the RP-2014 mortality tables with the MP-2017 improvement scale. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.20 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.

Based on those assumptions, the OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees through the year 2112. Therefore, the discount rate was determined by blending the long-term expected rate of return on OPEB plan investments 7.50 percent with the current yield for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, which currently stands at 3.08 percent (as referenced in *The Wall Street Journal*, March 29, 2019).

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 OPEB 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 adding expected inflation. Best estimates of arithmetic real rates of return as of the March 31, 2019 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Long-term Expected Real Rate of Return
Global equity	5.20 %
Global fixed income	2.00
Real return, opportunistic, and absolute pool	4.70
Cash or cash equivalents	0.40

March 31, 2019

Note 14 - Other Postemployment Benefit Plan (Continued)

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 7.20 percent, as well as what the Township's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.2%)	Current Discount Rate (7.2%)	1 Percent Increase (8.2%)
Net OPEB liability of the Clinton Township Post-Retirement Health Benefits Plan	\$ 76,477,954	\$ 59,735,237	\$ 46,250,251

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

The following presents the net OPEB liability of the Township, calculated using the healthcare cost trend rate of 6.0 to 5.0 percent, as well as what the Township's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Current Healthcare Cost Trend Rate (5.0% - 4.0%)	Current Healthcare Cost Trend Rate (6.0% - 5.0%)	1 Percent Increase (7.0% - 6.0%)
Net OPEB liability of the Clinton Township Post-Retirement Health Benefits Plan	\$ 44,470,875	\$ 59,735,236	\$ 79,047,081

Investment Policy

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the OPEB board by a majority vote of its members. It is the policy of the OPEB 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 OPEB 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 OPEB board's adopted asset allocation policy as of March 31, 2019:

Clinton Township Post-Retirement Health Benefits Plan

Asset Class	Target Allocation
Global equity	28.00 %
Global fixed income	18.00
Real return, opportunistic, and absolute pool	16.00
Cash or cash equivalents	10.50
Real estate and infrastructure pools	10.00
Real return, opportunistic, and absolute pool	15.50
Short-term investment pools	2.00
Total	100.00 %

Rate of Return

For the year ended March 31, 2019, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 1.20 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

March 31, 2019

Note 14 - Other Postemployment Benefit Plan (Continued)

Defined Contribution Plan

The various collective bargaining agreements require employee contributions ranging from 2 percent to 4 percent of base compensation to the Plan. 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, 2019, the Township made contributions of \$226,701, and the plan members contributed \$114,799 to the Plan.

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

Governmental funds report deferred inflows of resources in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. Refer to Notes 13 and 14 for a discussion of deferred inflows and outflows of resources related to pensions and other postemployment benefits.

At the end of the current fiscal year, the remaining components of deferred inflows of resources and unearned revenue are as follows:

	Governmental Funds				Water and Sewer Fund	Nonmajor Funds
	Deferred Inflows of Resources	Deferred Outflows of Resources	Unearned Revenue	Total	Deferred Outflows of Resources	Unearned Revenue
State-shared revenue	\$ 692,745	\$ -	\$ -	\$ 692,745	\$ -	\$ -
Unavailable revenue	3,047,680	-	-	3,047,680	-	-
Deferred charge on refunding	-	-	-	-	163,830	-
Unearned special assessment revenue	-	-	-	-	-	630,700
Other grant revenue	-	-	8,680	8,680	-	-
Total	\$ 3,740,425	\$ -	\$ 8,680	\$ 3,749,105	\$ 163,830	\$ 630,700

Note 16 - Tax Abatements

The Township currently has several businesses that are receiving an Industrial Facilities Tax (IFT) exemption, which encourages local businesses to construct new industrial facilities or rehabilitate historical facilities. This exemption applies to both real and personal property taxes. These tax abatements are authorized by Public Act 57 of 2018. 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 57 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 2018 was \$62,272.

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

March 31, 2019

Note 16 - Tax Abatements (Continued)

To encourage the development of senior housing, the Township has entered into individual agreements with certain government-subsidized senior housing facilities whereby, upon meeting certain development requirements, the taxable value of these facilities is frozen at an agreed-upon amount. In 2018, these agreements resulted in foregone tax revenue of \$14,753.

Note 17 - 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
Restricted - Transportation	\$ 100,000
Assigned:	
Next year's budget	265,807
Romeo Plank loan principal and interest	70,619
Technology	161,437
Total	<u>\$ 597,863</u>

Note 18 - Prior Period Adjustment

The Downtown Development Authority's (DDA) Tax Increment Financing (TIF) plan expired during the fiscal year ended March 31, 2018. A new plan was submitted and approved subsequent to the fiscal year ended March 31, 2019. Accordingly, revenue captured after the expiration of the DDA's TIF plan were returned to each respective taxing authority. Net position of the DDA as of April 1, 2018 was restated to remove revenue recognized related to tax captures made after the expiration of the DDA's TIF plan. The effect of the restatement was to decrease the change in net position for 2018 by \$88,556. Net position at the beginning of 2019 has been adjustment for the effect of the restatements in the prior year.

The following financial statement line items for fiscal year 2018 were affected by the change:

Year Ended March 31, 2018

	As Reported Previously	As Restated	Effect of Change
Property taxes	\$ 88,556	\$ -	\$ (88,556)

March 31, 2018

	As Reported Previously	As Restated	Effect of Change
Unrestricted net position	\$ 140,474	\$ 51,918	\$ (88,556)

Required Supplemental Information

Charter Township of Clinton

**Required Supplemental Information
Budgetary Comparison Schedule - General Fund**

Year Ended March 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,516,690	\$ 2,522,558	\$ 2,512,251	\$ (10,307)
Intergovernmental:				
Federal grants	37,000	6,765	27,864	21,099
State-shared revenue and grants	8,694,832	8,935,032	9,009,326	74,294
Licenses and permits	1,558,000	1,618,000	1,634,731	16,731
Interest	118,000	297,000	344,128	47,128
Other revenue	4,420,373	4,292,337	4,344,741	52,404
Total revenue	17,344,895	17,671,692	17,873,041	201,349
Expenditures				
Current:				
General government	6,197,418	5,985,170	5,836,149	149,021
Public safety	2,001,495	1,982,700	1,939,139	43,561
Public works	5,526,972	5,509,197	5,405,385	103,812
Community and economic development	921,724	823,155	764,296	58,859
Recreation and culture	3,702,334	3,402,513	3,325,891	76,622
Debt service	152,197	152,196	152,196	-
Total expenditures	18,502,140	17,854,931	17,423,056	431,875
Excess of Revenue (Under) Over Expenditures	(1,157,245)	(183,239)	449,985	633,224
Other Financing Sources (Uses)				
Transfers in	-	13,562	-	(13,562)
Transfers out	(350,000)	(608,030)	(608,030)	-
Proceeds from sale of capital assets	175,000	75,000	68,022	(6,978)
Total other financing uses	(175,000)	(519,468)	(540,008)	(20,540)
Net Change in Fund Balance	(1,332,245)	(702,707)	(90,023)	612,684
Fund Balance - Beginning of year	23,061,314	23,061,314	23,061,314	-
Fund Balance - End of year	\$ 21,729,069	\$ 22,358,607	\$ 22,971,291	\$ 612,684

Charter Township of Clinton

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

Year Ended March 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 17,145,569	\$ 17,249,435	\$ 17,242,748	\$ (6,687)
Intergovernmental:				
Federal grants	-	3,000	3,901	901
State-shared revenue grants	60,000	113,900	113,981	81
Interest	77,500	87,500	201,717	114,217
Other revenue	15,600	61,310	60,074	(1,236)
Total revenue	17,298,669	17,515,145	17,622,421	107,276
Expenditures				
Current - Public safety	18,923,797	18,765,235	18,139,492	625,743
Debt service:				
Principal	650,000	650,000	650,000	-
Interest on long-term debt	87,463	87,463	87,463	-
Total expenditures	19,661,260	19,502,698	18,876,955	625,743
Excess of Expenditures Over Revenue	(2,362,591)	(1,987,553)	(1,254,534)	733,019
Other Financing Sources - Proceeds from sale of capital assets	10,000	5,000	16,417	11,417
Net Change in Fund Balance	(2,352,591)	(1,982,553)	(1,238,117)	744,436
Fund Balance - Beginning of year	20,507,329	20,507,329	20,507,329	-
Fund Balance - End of year	<u>\$ 18,154,738</u>	<u>\$ 18,524,776</u>	<u>\$ 19,269,212</u>	<u>\$ 744,436</u>

Charter Township of Clinton

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

Year Ended March 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 20,615,577	\$ 20,718,856	\$ 20,744,074	\$ 25,218
Intergovernmental:				
Federal sources	20,000	47,060	51,957	4,897
State-shared revenue and grants	170,700	236,000	233,990	(2,010)
Interest	112,500	275,000	401,801	126,801
Other revenue	341,052	382,972	394,967	11,995
Total revenue	21,259,829	21,659,888	21,826,789	166,901
Expenditures - Current - Public safety	21,704,695	21,656,682	21,315,958	340,724
Excess of Revenue (Under) Over Expenditures	(444,866)	3,206	510,831	507,625
Other Financing Sources				
Transfers in	-	15,700	15,744	44
Proceeds from sale of capital assets	12,000	39,000	9,600	(29,400)
Total other financing sources	12,000	54,700	25,344	(29,356)
Net Change in Fund Balance	(432,866)	57,906	536,175	478,269
Fund Balance - Beginning of year	32,274,176	32,274,176	32,274,176	-
Fund Balance - End of year	\$ 31,841,310	\$ 32,332,082	\$ 32,810,351	\$ 478,269

Charter Township of Clinton

Required Supplemental Information

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

	Last Four Fiscal Years*			
	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 1,107,129	\$ 1,100,601	\$ 1,107,131	\$ 1,064,743
Interest	5,795,488	5,668,117	5,559,102	5,296,358
Differences between expected and actual experience	56,050	(157,431)	(444,068)	640,069
Changes in assumptions	-	-	-	2,964,550
Benefit payments, including refunds	<u>(5,140,873)</u>	<u>(4,903,935)</u>	<u>(4,808,520)</u>	<u>(4,584,320)</u>
Net Change in Total Pension Liability	1,817,794	1,707,352	1,413,645	5,381,400
Total Pension Liability - Beginning of year	<u>74,460,470</u>	<u>72,753,118</u>	<u>71,339,473</u>	<u>65,958,073</u>
Total Pension Liability - End of year	<u>\$ 76,278,264</u>	<u>\$ 74,460,470</u>	<u>\$ 72,753,118</u>	<u>\$ 71,339,473</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 4,372,958	\$ 2,352,892	\$ 1,959,949	\$ 1,872,652
Contributions - Member	554,290	548,583	536,804	528,758
Net investment (loss) income	(1,820,867)	5,528,069	4,501,328	(630,111)
Administrative expenses	(89,082)	(87,642)	(88,955)	(93,273)
Benefit payments, including refunds	<u>(5,140,873)</u>	<u>(4,903,935)</u>	<u>(4,808,520)</u>	<u>(4,584,320)</u>
Net Change in Plan Fiduciary Net Position	(2,123,574)	3,437,967	2,100,606	(2,906,294)
Plan Fiduciary Net Position - Beginning of year	<u>45,902,251</u>	<u>42,464,284</u>	<u>40,363,678</u>	<u>43,269,972</u>
Plan Fiduciary Net Position - End of year	<u>\$ 43,778,677</u>	<u>\$ 45,902,251</u>	<u>\$ 42,464,284</u>	<u>\$ 40,363,678</u>
Township's Net Pension Liability - Ending	<u>\$ 32,499,587</u>	<u>\$ 28,558,219</u>	<u>\$ 30,288,834</u>	<u>\$ 30,975,795</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	57.39 %	61.65 %	58.37 %	56.58 %
Covered Employee Payroll	\$ 9,148,531	\$ 8,977,328	\$ 8,937,780	\$ 8,691,747
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	355.24 %	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

	Last Five Fiscal Years*				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability					
Service cost	\$ 4,248,144	\$ 3,866,329	\$ 4,207,656	\$ 3,708,595	\$ 3,829,279
Interest	11,435,158	10,818,661	10,450,777	9,790,487	9,639,099
Changes in benefit terms	-	891,463	-	-	-
Differences between expected and actual experience	3,683,475	1,526,191	(1,081,729)	(55,887)	(2,412,055)
Changes in assumptions	9,055,199	23,915,003	(5,146,191)	12,963,381	-
Benefit payments, including refunds	<u>(10,727,271)</u>	<u>(10,142,949)</u>	<u>(9,224,043)</u>	<u>(8,533,658)</u>	<u>(9,051,073)</u>
Net Change in Total Pension Liability	17,694,705	30,874,698	(793,530)	17,872,918	2,005,250
Total Pension Liability - Beginning of year	<u>192,877,346</u>	<u>162,002,648</u>	<u>162,796,178</u>	<u>144,923,260</u>	<u>142,918,010</u>
Total Pension Liability - End of year	<u>\$ 210,572,051</u>	<u>\$ 192,877,346</u>	<u>\$ 162,002,648</u>	<u>\$ 162,796,178</u>	<u>\$ 144,923,260</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 4,725,185	\$ 4,493,653	\$ 3,611,452	\$ 3,595,004	\$ 3,427,893
Contributions - Member	1,279,615	1,198,076	967,784	980,971	5,264,133
Net investment income (loss)	1,668,474	8,279,085	8,844,088	(2,350,175)	995,827
Administrative expenses	(162,111)	(161,847)	(139,966)	(205,323)	(88,708)
Benefit payments, including refunds	(10,727,271)	(10,142,949)	(9,224,043)	(8,533,658)	(9,051,073)
Adjustments to DROP plan change of accounting	-	-	-	-	2,611,725
Net Change in Plan Fiduciary Net Position	(3,216,108)	3,666,018	4,059,315	(6,513,181)	3,159,797
Plan Fiduciary Net Position - Beginning of year	<u>120,869,172</u>	<u>117,203,154</u>	<u>113,143,839</u>	<u>119,657,021</u>	<u>116,497,224</u>
Plan Fiduciary Net Position - End of year	<u>\$ 117,653,064</u>	<u>\$ 120,869,172</u>	<u>\$ 117,203,154</u>	<u>\$ 113,143,840</u>	<u>\$ 119,657,021</u>
Township's Net Pension Liability - Ending	<u>\$ 92,918,987</u>	<u>\$ 72,008,174</u>	<u>\$ 44,799,494</u>	<u>\$ 49,652,338</u>	<u>\$ 25,266,239</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	55.87 %	62.67 %	72.35 %	69.50 %	82.57 %
Covered Employee Payroll	\$ 15,148,100	\$ 14,502,100	\$ 13,842,945	\$ 14,176,791	\$ 13,004,900
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	613.40 %	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**

	Last Five Fiscal Years				
	Year Ended March 31				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	1.46 %	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

	Years Ended March 31*	
	2019	2018
Total OPEB Liability		
Service cost	\$ 2,211,226	\$ 2,003,012
Interest	8,586,624	8,318,373
Differences between expected and actual experience	(8,428,379)	(4,974,712)
Changes in assumptions	1,626,437	-
Benefit payments, including refunds	(4,898,265)	(4,615,528)
Net Change in Total OPEB Liability	(902,357)	731,145
Total OPEB Liability - Beginning of year	115,831,835	115,100,690
Total OPEB Liability - End of year	\$ 114,929,478	\$ 115,831,835
Plan Fiduciary Net Position		
Contributions - Employer	\$ 10,485,242	\$ 10,469,278
Contributions - Active and inactive plan members not yet receiving benefits	378,787	345,602
Net investment income	598,199	2,934,144
Administrative expenses	(47,189)	(9,682)
Benefit payments, including refunds	(4,898,265)	(4,314,251)
Other	348,676	-
Net Change in Plan Fiduciary Net Position	6,865,450	9,425,091
Plan Fiduciary Net Position - Beginning of year	48,328,791	38,903,700
Plan Fiduciary Net Position - End of year	\$ 55,194,241	\$ 48,328,791
Net OPEB Liability - Ending	\$ 59,735,237	\$ 67,503,044
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	48.02 %	41.72 %
Covered Payroll	\$ 17,026,666	\$ 16,950,856
Net OPEB Liability as a Percentage of Covered Payroll	350.83 %	398.23 %

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

Required Supplemental Information
Schedule of OPEB Investment Returns

Years Ended March 31*

	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	1.20 %	6.46 %

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

March 31, 2019

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, 2019 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

During the year, the Township did not incurred any expenditures that were in excess of amounts budgeted.

Other Supplemental Information

Charter Township of Clinton

	Nonmajor Special Revenue Funds					Total Special Revenue Funds
	Drainage	Community Development Block Grant	Drug Forfeiture	Street Lighting	DEA Task Force	
Assets						
Cash and investments	\$ 414,973	\$ 2,180	\$ 244,681	\$ 463,433	\$ 99,654	\$ 1,224,921
Receivables:						
Other	-	-	-	-	-	-
Due from other governmental units	545	81,732	-	30,487	-	112,764
Total assets	\$ 415,518	\$ 83,912	\$ 244,681	\$ 493,920	\$ 99,654	\$ 1,337,685
Liabilities						
Accounts payable	\$ 324	\$ 64,123	\$ 2,243	\$ 34,555	\$ -	\$ 101,245
Due to other funds	-	19,789	383	-	-	20,172
Accrued liabilities and other	1,500	-	-	-	-	1,500
Total liabilities	1,824	83,912	2,626	34,555	-	122,917
Fund Balances						
Restricted:						
Drainage	413,694	-	-	-	-	413,694
Police	-	-	-	-	99,654	99,654
Drug forfeiture	-	-	242,055	-	-	242,055
Street lighting	-	-	-	459,365	-	459,365
Transportation	-	-	-	-	-	-
Assigned - Capital projects	-	-	-	-	-	-
Total fund balances	413,694	-	242,055	459,365	99,654	1,214,768
Total liabilities and fund balances	\$ 415,518	\$ 83,912	\$ 244,681	\$ 493,920	\$ 99,654	\$ 1,337,685

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

March 31, 2019

Nonmajor Debt Service Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Police Facility	General Capital Projects	
\$ -	\$ 605,733	\$ 1,830,654
-	8,294	8,294
-	2,197	114,961
\$ -	\$ 616,224	\$ 1,953,909
\$ -	\$ 18,361	\$ 119,606
-	-	20,172
-	-	1,500
-	18,361	141,278
-	-	413,694
-	-	99,654
-	-	242,055
-	-	459,365
-	100,000	100,000
-	497,863	497,863
-	597,863	1,812,631
\$ -	\$ 616,224	\$ 1,953,909

Charter Township of Clinton

	Nonmajor Special Revenue Funds					Nonmajor Debt Service Funds	
	Drainage	Community Development Block Grant	Drug Forfeiture	Street Lighting	DEA Task Force	Total Special Revenue Funds	Police Facility
Revenue							
Property taxes	\$ -	\$ -	\$ -	\$ 468,514	\$ -	\$ 468,514	\$ 430
Special assessments	-	-	-	-	-	-	-
Intergovernmental	-	496,831	25,000	-	-	521,831	-
Fines and forfeitures	-	-	177,134	-	-	177,134	-
Interest	5,749	-	-	4,856	1,680	12,285	-
Other revenue	173,625	-	-	-	-	173,625	-
Total revenue	179,374	496,831	202,134	473,370	1,680	1,353,389	430
Expenditures							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	147,570	-	4,597	152,167	316
Public works	66,145	-	-	486,779	-	552,924	-
Community and economic development	-	496,831	-	-	-	496,831	-
Debt service - Principal	-	-	-	-	-	-	-
Total expenditures	66,145	496,831	147,570	486,779	4,597	1,201,922	316
Excess of Revenue Over (Under) Expenditures	113,229	-	54,564	(13,409)	(2,917)	151,467	114
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(15,744)
Proceeds from sale of capital assets	-	-	14,400	-	-	14,400	-
Total	-	-	14,400	-	-	14,400	(15,744)
Net Change in Fund Balances	113,229	-	68,964	(13,409)	(2,917)	165,867	(15,630)
Fund Balances - Beginning of year	300,465	-	173,091	472,774	102,571	1,048,901	15,630
Fund Balances - End of year	\$ 413,694	\$ -	\$ 242,055	\$ 459,365	\$ 99,654	\$ 1,214,768	\$ -

Other Supplemental Information

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

Year Ended March 31, 2019

Nonmajor Capital Project Funds			
General Capital Projects	Total Nonmajor Governmental Funds		
\$ -	\$ 468,944		
111,360	111,360		
-	521,831		
-	177,134		
7,943	20,228		
5,134	178,759		
124,437	1,478,256		
471,530	471,530		
-	152,483		
309,551	862,475		
-	496,831		
85,743	85,743		
866,824	2,069,062		
(742,387)	(590,806)		
608,030	608,030		
-	(15,744)		
-	14,400		
608,030	606,686		
(134,357)	15,880		
732,220	1,796,751		
\$ 597,863	\$ 1,812,631		

Charter Township of Clinton

Other Supplemental Information Combining Statement of Net Position Nonmajor Enterprise Funds

March 31, 2019

	Sanitation Fund	Special Assessment Fund	Total Nonmajor Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 344,664	\$ 1,594,376	\$ 1,939,040
Receivables:			
Special assessments receivable - Current	-	231,905	231,905
Sales to customers on account	855,374	-	855,374
Due from other governmental units	-	18,741	18,741
Due from other funds	35,568	-	35,568
Total current assets	1,235,606	1,845,022	3,080,628
Noncurrent assets:			
Investment in joint ventures	109,253	-	109,253
Capital assets - Net	56,849	-	56,849
Special assessment - Net of current portion	-	1,804,220	1,804,220
Total noncurrent assets	166,102	1,804,220	1,970,322
Total assets	1,401,708	3,649,242	5,050,950
Deferred Outflows of Resources - Deferred pension costs	63,170	-	63,170
Liabilities			
Current liabilities:			
Accounts payable	305,655	-	305,655
Due to other funds	-	768,649	768,649
Unearned revenue	-	630,700	630,700
Total current liabilities	305,655	1,399,349	1,705,004
Noncurrent liabilities - Net pension liability	447,888	-	447,888
Total liabilities	753,543	1,399,349	2,152,892
Deferred Inflows of Resources - Deferred pension cost reductions	2,615	-	2,615
Net Position			
Net investment in capital assets	56,849	-	56,849
Restricted - Capital projects	-	2,249,893	2,249,893
Unrestricted	651,871	-	651,871
Total net position	\$ 708,720	\$ 2,249,893	\$ 2,958,613

Charter Township of Clinton

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Nonmajor Enterprise Funds

Year Ended March 31, 2019

	Sanitation Fund	Special Assessment Fund	Total Nonmajor Enterprise Funds
Operating Revenue			
Charges for sales and services	\$ 4,073,961	\$ 1,169,247	\$ 5,243,208
Other	419	-	419
Total operating revenue	4,074,380	1,169,247	5,243,627
Operating Expenses			
Operation and maintenance	4,246,745	1,220,061	5,466,806
Salaries and fringe benefits	387,333	-	387,333
Depreciation	20,904	-	20,904
Total operating expenses	4,654,982	1,220,061	5,875,043
Operating Loss	(580,602)	(50,814)	(631,416)
Nonoperating Revenue - Investment income	5,949	67,470	73,419
Change in Net Position	(574,653)	16,656	(557,997)
Net Position - Beginning of year	1,283,373	2,233,237	3,516,610
Net Position - End of year	<u>\$ 708,720</u>	<u>\$ 2,249,893</u>	<u>\$ 2,958,613</u>

Charter Township of Clinton

Other Supplemental Information Combining Statement of Cash Flows Nonmajor Enterprise Funds

Year Ended March 31, 2019

	Sanitation Fund	Special Assessment Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 4,082,572	\$ 818,760	\$ 4,901,332
Internal activity - Payments from other funds	-	1,220,000	1,220,000
Payments to suppliers	(3,942,319)	(1,220,061)	(5,162,380)
Payments to employees	(281,885)	-	(281,885)
Other payments	-	(5,718)	(5,718)
Net cash and cash equivalents (used in) provided by operating activities	(141,632)	812,981	671,349
Cash Flows Provided by Investing Activities - Interest received on investments	5,949	67,470	73,419
Net (Decrease) Increase in Cash and Cash Equivalents	(135,683)	880,451	744,768
Cash and Cash Equivalents - Beginning of year	480,347	713,925	1,194,272
Cash and Cash Equivalents - End of year	<u>\$ 344,664</u>	<u>\$ 1,594,376</u>	<u>\$ 1,939,040</u>
Classification of Cash and Cash Equivalents - Cash and investments per statement of net position	<u>\$ 344,664</u>	<u>\$ 1,594,376</u>	<u>\$ 1,939,040</u>
Reconciliation of Operating Loss Net Cash from Operating Activities			
Operating loss	\$ (580,602)	\$ (50,814)	\$ (631,416)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	20,904	-	20,904
Changes in assets and liabilities:			
Receivables	8,192	(356,205)	(348,013)
Due to other funds	-	1,220,000	1,220,000
Investments in joint ventures	14,860	-	14,860
Net pension or OPEB asset	387,333	-	387,333
Accounts payable	7,681	-	7,681
Total adjustments	438,970	863,795	1,302,765
Net cash and cash equivalents (used in) provided by operating activities	<u>\$ (141,632)</u>	<u>\$ 812,981</u>	<u>\$ 671,349</u>

Charter Township of Clinton

Other Supplemental Information Combining Statement of Net Position Fiduciary Funds

March 31, 2019

	Pension and Other Employee Benefit Trust Funds			Agency Funds			Total Agency Funds
	Fire and Police Pension System	Public Employee Healthcare	Total	Tax Collection	Cash Bond	Trust and Agency	
Assets							
Cash	\$ -	\$ -	\$ -	\$ 205,816	\$ 125,304	\$ 1,020,943	\$ 1,352,063
Investments:							
Bank investment pools and money market funds	2,159,282	-	2,159,282	-	-	-	-
U.S. Treasury securities	14,790,094	8,277,341	23,067,435	-	-	-	-
Domestic stock	21,459,339	-	21,459,339	-	-	-	-
Foreign stock	1,803,065	-	1,803,065	-	-	-	-
Mutual funds	41,722,380	47,776,121	89,498,501	-	-	-	-
Real estate investment trusts	4,113,980	-	4,113,980	-	-	-	-
Limited partnerships	27,967,958	-	27,967,958	-	-	-	-
Hedge funds	5,119,667	-	5,119,667	-	-	-	-
Receivables	-	-	-	-	50	-	50
Prepaid expenses and other assets	787,225	155,504	942,729	-	-	-	-
Total assets	119,922,990	56,208,966	176,131,956	205,816	125,354	1,020,943	1,352,113
Liabilities							
Benefits payable and other liabilities	81,663	12,100	93,763	205,816	1,100	84	207,000
Due to other funds	28,982	1,002,623	1,031,605	-	-	-	-
Refundable deposits, bonds, etc.	-	-	-	-	124,254	1,020,859	1,145,113
Accrued liabilities and other - Amounts due to broker under securities lending arrangements	2,159,282	-	2,159,282	-	-	-	-
Total liabilities	2,269,927	1,014,723	3,284,650	205,816	125,354	1,020,943	1,352,113
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 117,653,063	\$ 55,194,243	\$ 172,847,306	\$ -	\$ -	\$ -	\$ -

Charter Township of Clinton

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

Year Ended March 31, 2019

	Fire and Police Pension System	Public Employee Healthcare	Total
Additions			
Investment income (loss):			
Interest and dividends	\$ 2,452,929	\$ 1,829,817	\$ 4,282,746
Net increase (decrease) in fair value of investments	43,041	(1,231,618)	(1,188,577)
Investment-related expenses	(773,274)	-	(773,274)
Net investment income	1,722,696	598,199	2,320,895
Securities lending income - Interest and dividends	4,886	-	4,886
Contributions:			
Employer	4,725,185	10,485,242	15,210,427
Employee	1,279,615	378,787	1,658,402
Total contributions	6,004,800	10,864,029	16,868,829
Total additions	7,732,382	11,462,228	19,194,610
Deductions			
Benefit payments and annuity withdrawals	10,727,272	4,549,586	15,276,858
Administrative expenses	221,221	47,190	268,411
Total deductions	10,948,493	4,596,776	15,545,269
Net (Decrease) Increase in Net Position Held in Trust	(3,216,111)	6,865,452	3,649,341
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	120,869,174	48,328,791	169,197,965
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 117,653,063	\$ 55,194,243	\$ 172,847,306