

TOWNSHIP OF CLAY, MICHIGAN
St. Clair County, Michigan

ANNUAL FINANCIAL REPORT
with Supplementary Information

FOR THE YEAR ENDED
JUNE 30, 2017



TOWNSHIP OF CLAY, MICHIGAN
St. Clair County, Michigan

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Township Board
Township of Clay
St. Clair, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Clay, Michigan (the "Township"), as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Township'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 judgement, 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 Township'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 Township'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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Clay, Michigan, as of June 30, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension system schedules, as listed under 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, who 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 supplementary 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Clay, Michigan's basic financial statements. The combining and individual nonmajor governmental fund statements and the component unit individual fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Certified Public Accountants

December 4, 2017

CLAY TOWNSHIP, MICHIGAN

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

The Township of Clay, Michigan's (the "Township") 2017 annual report is presented in conformity with the requirements of GASB Statement No. 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net position and how they have changed. Net position, defined as the difference between the Township's assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

Governmental activities - most of the Township's basic services are included here, such as police, fire, public works, and general administration. Property taxes, state-shared revenue, and charges for services, provide most of the funding.

Business-type activities - the Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer operations are treated as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

Governmental funds - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary funds - Services for which the Township charges customers a fee are generally reported in the Water and Sewer Funds, both proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

Fiduciary funds - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL OVERVIEW (Government-wide financial analysis)

The Township has combined total net position of \$19,785,750. This is a decrease from 2016 of \$365,965. Governmental activities comprise \$4,892,427 and business-type activities make up \$14,866,323 of the total net position. In a condensed format, the table below shows net position as of June 30, 2017 and 2016.

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Assets				
Current assets	\$ 4,177,925	\$ 4,494,894	\$ 3,234,957	\$ 2,784,899
Restricted assets	-	-	858,410	922,711
Noncurrent assets	5,059,760	5,295,395	15,009,677	15,562,547
	<u>9,237,685</u>	<u>9,790,289</u>	<u>19,103,044</u>	<u>19,270,157</u>
Deferred Outflows of Resources	<u>451,721</u>	<u>746,079</u>	<u>100,643</u>	<u>160,935</u>
Liabilities				
Current liabilities	314,491	347,629	232,140	246,068
Non-current liabilities	4,432,421	4,657,382	4,094,969	4,591,666
	<u>4,746,912</u>	<u>5,005,011</u>	<u>4,327,109</u>	<u>4,837,734</u>
Deferred Inflows of Resources	<u>50,067</u>	<u>-</u>	<u>10,255</u>	<u>-</u>
Net Position				
Net investment in capital assets	4,904,760	4,840,947	8,893,579	8,775,999
Restricted	686,573	596,940	686,863	683,520
Unrestricted	<u>(698,906)</u>	<u>93,470</u>	<u>5,285,881</u>	<u>5,133,839</u>
Total Net Position	<u>\$ 4,892,427</u>	<u>\$ 5,531,357</u>	<u>\$ 14,866,323</u>	<u>\$ 14,593,358</u>

The Township's governmental activities experienced a net change in position of \$(638,930). The business-type activities experienced a net change in position of \$272,965.

The following table shows the changes in net position for 2017 and 2016:

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Revenues -				
Program revenues:				
Charges for services	\$ 1,538,753	\$ 1,568,017	\$ 2,881,507	\$ 2,794,983
Operating grants and contributions	440,719	299,317	-	-
Capital grants and contributions	115,976	284,409	-	-
General revenues				
Property taxes	2,911,277	2,869,425	-	-
Unrestricted grants	871,836	798,523	-	-
Unrestricted investments	11,310	11,826	31,556	40,785
	<u>5,889,871</u>	<u>5,831,517</u>	<u>2,913,063</u>	<u>2,835,768</u>
Program Expenses -				
General government	1,111,537	1,130,758	-	-
Public safety	4,181,563	3,952,409	-	-
Public works	1,053,678	1,025,173	-	-
Recreation and cultural	168,444	161,054	-	-
Interest on long-term debt	13,579	14,181	-	-
Water and sewer operations	-	-	2,640,098	2,522,984
	<u>6,528,801</u>	<u>6,283,575</u>	<u>2,640,098</u>	<u>2,522,984</u>
Change in net position	<u><u>\$ (638,930)</u></u>	<u><u>\$ (452,058)</u></u>	<u><u>\$ 272,965</u></u>	<u><u>\$ 312,784</u></u>

Governmental Activities

Revenues for governmental activities totaled \$5,889,871 in 2017. Of this amount, \$2,911,277 was received from taxes, which was an increase of \$41,852 from the prior year. The next largest revenue source was charges for services of \$1,538,753, a decrease of \$29,264 from 2016.

Business-type Activities

The Township has one business-type activity, the water and sewer operations. Total revenues including interest income were \$2,913,063 and expenses were \$2,640,098, for a change in net position of \$272,965. The net change was approximately 10% of annual expenditures.

FINANCIAL ANALYSIS OF MAJOR TOWNSHIP FUNDS AND BUDGETS

Governmental Fund

The General Fund ended 2017 with a fund balance of \$2,443,525, all of which was unassigned. The General Fund had a net change in fund balance of \$163,603.

The Township's other major governmental funds had the following change in fund balance:

- The Fire Fund had revenues over expenditures of \$80,326, with a fund balance of \$178,560 at June 30, 2017.
- The Police Fund had expenditures over revenues of \$442,470, with a fund balance of \$560,423 at June 30, 2017.

Over the course of the year, the Township administration and Board monitor the budgets and, if necessary, amend the budget to take into account unanticipated events that occur during the year. During the year, no budget amendments were approved.

Since the original budget and amended budgets are estimates of what is expected, there are differences between the budgets and actual results. The only significant differences were as follows:

General Fund

- Licenses and Permits revenues were over budget by \$55,461 primarily due to cable franchise fees being \$32,904 more than budgeted.
- Other Revenues were over budget by \$93,718 due to the timing of when insurance proceeds of \$80,000 were received.
- Public Safety expenditures were \$61,951 under budget due to \$38,150 less in Planning Commission professional fees.
- Public Works expenditures were \$62,539 over budget due to the timing of road maintenance and construction projects.

Proprietary Funds - See prior discussion of Business-type Activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township had \$16,865,589 invested in capital assets for its government and business-type activities (net of accumulated depreciation) as of June 30, 2017. The investment in capital assets includes land, construction in progress, buildings and improvements, land improvements, vehicles and equipment, furniture and fixtures, and water and sewer lines. During the year, the Township added capital assets of \$378,580, of which \$239,224 was in the governmental activities and \$139,356 was in the business-type activities. The governmental activities' capital expenditures included \$27,484 for police department renovations, \$85,036 for police vehicles, and \$103,048 for Township-shared road improvements. The business-type activities' capital expenditures included \$118,055 for the purchase of land.

Additional information on the Township's capital assets can be found in Note 8 to the financial statements.

Long-term Liabilities

At June 30, 2017, the Township had \$3,182,278 in long-term liabilities, compared to \$4,024,205 at June 30, 2016, a decrease of \$841,927. The Township paid off a lease purchase agreement for the police department dispatch center for \$249,448 and the 2012 Fraiser water line loan for \$54,210, as well as other annual debt payments.

Additional information on the Township's long-term debt can be found in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

For fiscal 2018, the Township adopted a balanced General Fund budget and anticipates revenues and expenditures of approximately \$1,509,507.

CONTACTING THE TOWNSHIP

This financial report is designed to provide a general overview of the Township's finances to our residents and other interested parties in understanding the Township's financial condition. If you have questions about this report or need additional financial information, please contact the Township at (810) 794-9303.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF CLAY
St. Clair County, Michigan

STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
Assets:				
Cash and investments	\$ 3,341,162	\$ 2,445,256	\$ 5,786,418	\$ 346,685
Receivables	756,805	654,971	1,411,776	-
Inventory	-	116,480	116,480	-
Due from primary government	-	-	-	48,749
Prepaid expenses/deposits	79,958	18,250	98,208	-
Restricted assets -				
Cash and investments	-	686,863	686,863	-
Special assessment receivable	-	171,547	171,547	-
Prepaid service contracts	-	3,203,848	3,203,848	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	802,501	150,617	953,118	-
Assets being depreciated	4,257,259	11,655,212	15,912,471	-
Total Assets	<u>9,237,685</u>	<u>19,103,044</u>	<u>28,340,729</u>	<u>395,434</u>
Deferred Outflows of Resources:				
Related to the pension plan	<u>451,721</u>	<u>100,643</u>	<u>552,364</u>	<u>-</u>
Liabilities:				
Payables and accrued liabilities	256,070	215,592	471,662	-
Due to component unit	48,749	-	48,749	-
Accrued interest	775	16,548	17,323	-
Advances and deposits	8,897	-	8,897	-
Non-current liabilities				
Accrued compensated absences	21,922	-	21,922	-
Net pension liability	2,962,249	708,515	3,670,764	-
Net OPEB obligation	1,293,250	381,098	1,674,348	-
Bonds/notes due within one year	55,000	489,125	544,125	-
Bond/notes due in more than one year	100,000	2,516,231	2,616,231	-
Total Liabilities	<u>4,746,912</u>	<u>4,327,109</u>	<u>9,074,021</u>	<u>-</u>
Deferred Inflows of Resources				
Related to the pension plan	<u>50,067</u>	<u>10,255</u>	<u>60,322</u>	<u>-</u>
Net Position:				
Net investment in capital assets	4,904,760	8,893,579	13,798,339	-
Restricted				
Perpetual care - Nonexpendable	66,407	-	66,407	-
General government	37,077	-	37,077	-
Public safety	138,455	-	138,455	-
Public works	376,383	-	376,383	-
Recreation and culture	68,251	-	68,251	-
Equipment replacement reserves	-	686,863	686,863	-
Unrestricted	(698,906)	5,285,881	4,586,975	395,434
Total Net Position	<u>\$ 4,892,427</u>	<u>\$ 14,866,323</u>	<u>\$ 19,758,750</u>	<u>\$ 395,434</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLAY
St. Clair County, Michigan

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General Government	\$ 1,111,537	\$ 69,766	\$ -	\$ -
Public Safety	4,181,563	478,470	433,888	77,184
Public Works	1,053,678	988,496	6,831	-
Recreation and Cultural	168,444	2,021	-	38,792
Interest on Long-term Debt	13,579	-	-	-
Total governmental activities	<u>6,528,801</u>	<u>1,538,753</u>	<u>440,719</u>	<u>115,976</u>
Business-type activities				
Water	1,741,231	2,237,373	-	-
Sewer	898,867	644,134	-	-
Total business-type activities	<u>2,640,098</u>	<u>2,881,507</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 9,168,899</u>	<u>\$ 4,420,260</u>	<u>\$ 440,719</u>	<u>\$ 115,976</u>
Component Unit				
Downtown Development Authority	<u>\$ 65,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Property taxes
Grants and contributions not
restricted to specific programs
Unrestricted investment income
Total general revenues

Change in net position

Net position at beginning of year

Net position at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit (DDA)
\$(1,041,771)	\$ -	\$(1,041,771)	\$ -
(3,192,021)	-	(3,192,021)	-
(58,351)	-	(58,351)	-
(127,631)	-	(127,631)	-
(13,579)	-	(13,579)	-
<u>(4,433,353)</u>	<u>-</u>	<u>(4,433,353)</u>	<u>-</u>
-	496,142	496,142	-
-	<u>(254,733)</u>	<u>(254,733)</u>	<u>-</u>
<u>-</u>	<u>241,409</u>	<u>241,409</u>	<u>-</u>
<u>(4,433,353)</u>	<u>241,409</u>	<u>(4,191,944)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,924)</u>
2,911,277	-	2,911,277	159,497
871,836	-	871,836	-
11,310	31,556	42,866	597
<u>3,794,423</u>	<u>31,556</u>	<u>3,825,979</u>	<u>160,094</u>
(638,930)	272,965	(365,965)	94,170
<u>5,531,357</u>	<u>14,593,358</u>	<u>20,124,715</u>	<u>301,264</u>
<u>\$ 4,892,427</u>	<u>\$ 14,866,323</u>	<u>\$ 19,758,750</u>	<u>\$ 395,434</u>

TOWNSHIP OF CLAY
St. Clair County, Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Fire	Police	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and investments	\$ 2,209,877	\$ -	\$ 578,904	\$ 552,381	\$ 3,341,162
Receivables -					
Special assessments	3,466	-	-	14,099	17,565
Governmental units	247,158	332,371	63,203	38,802	681,534
Other	31,639	945	7,275	16,634	56,493
Due from other funds	98,722	-	-	1,500	100,222
Total Assets	<u>\$ 2,590,862</u>	<u>\$ 333,316</u>	<u>\$ 649,382</u>	<u>\$ 623,416</u>	<u>\$ 4,196,976</u>
Liabilities:					
Accounts payable	\$ 48,613	\$ 38,665	\$ 29,888	\$ 22,753	\$ 139,919
Accrued liabilities	36,112	18,582	59,071	2,386	116,151
Performance bonds and deposits	8,897	-	-	-	8,897
Due to component units	48,749	-	-	-	48,749
Due to other funds	1,500	97,509	-	-	99,009
Total Liabilities	143,871	154,756	88,959	25,139	412,725
Deferred Inflows of Resources:					
Unavailable revenue -					
Special assessments	3,466	-	-	14,099	17,565
Fund Balance:					
Nonspendable - Perpetual care	-	-	-	66,407	66,407
Restricted	-	178,560	560,423	517,771	1,256,754
Unassigned	2,443,525	-	-	-	2,443,525
Total Fund Balance	2,443,525	178,560	560,423	584,178	3,766,686
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 2,590,862</u>	<u>\$ 333,316</u>	<u>\$ 649,382</u>	<u>\$ 623,416</u>	<u>\$ 4,196,976</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLAY
St. Clair County, Michigan

**RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Fund Balances - total governmental funds		\$ 3,766,686
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.</p>		
Capital assets	\$ 12,695,405	
Accumulated depreciation	<u>(7,635,645)</u>	5,059,760
<p>Expenses recorded in the funds on the purchase method.</p>		
		79,958
<p>Certain pension contributions and changes in pension plan liabilities are reported in the statement of net position, but are not reported in the governmental funds</p>		
Deferred outflows of resources		451,721
Deferred inflows of resources		(50,067)
<p>Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as unavailable in the funds</p>		
Special assessments		17,565
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.</p>		
Bonds/Notes payable	(155,000)	
Compensated absences	(21,922)	
Net pension liability	(2,962,249)	
Post employment benefits payable	(1,293,250)	
Accrued interest payable	<u>(775)</u>	<u>(4,433,196)</u>
Net Position of governmental activities		<u>\$ 4,892,427</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLAY
St. Clair County, Michigan

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General	Fire	Police	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 398,243	\$ 683,319	\$ 1,829,715	\$ -	\$ 2,911,277
Licenses and permits	255,416	-	-	-	255,416
Intergovernmental	765,910	333,696	127,676	38,792	1,266,074
Charges for services	52,141	14,931	245,171	26,500	338,743
Fines and forfeits	-	-	14,139	-	14,139
Special assessments	-	-	-	918,319	918,319
Interest and rent	7,243	537	379	4,851	13,010
Other	183,598	62,694	35,486	12,488	294,266
Total Revenues	1,662,551	1,095,177	2,252,566	1,000,950	6,011,244
Expenditures:					
General Government	981,228	-	-	39,799	1,021,027
Public Safety	226,600	1,014,851	2,435,008	11,745	3,688,204
Public Works	241,031	-	-	863,922	1,104,953
Recreation and Cultural	10,046	-	-	62,561	72,607
Debt Service	-	-	260,028	53,600	313,628
Total Expenditures	1,458,905	1,014,851	2,695,036	1,031,627	6,200,419
Revenues over (under) expenditures	203,646	80,326	(442,470)	(30,677)	(189,175)
Other Financing Sources (Uses):					
Transfers from other funds	-	-	-	40,043	40,043
Transfers to other funds	(40,043)	-	-	-	(40,043)
Total Other Financing Sources (Uses)	(40,043)	-	-	40,043	-
Net Change in Fund Balances	163,603	80,326	(442,470)	9,366	(189,175)
Fund Balances at beginning of year	2,279,922	98,234	1,002,893	574,812	3,955,861
Fund Balances at end of year	\$ 2,443,525	\$ 178,560	\$ 560,423	\$ 584,178	\$ 3,766,686

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLAY
St. Clair County, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Net change in fund balances - total governmental funds \$(189,175)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$	239,224	
Depreciation expense		(451,396)	
Net book value of assets sold/disposed		<u>(23,463)</u>	(235,635)

Change in deferred outflows/inflows of resources as a result in changes in assumptions, differences between projected and actual earnings, contributions made subsequent to the measurement date, and difference between expected and actual experience. (344,425)

Change in prepaid expenses recorded in the funds on the purchase method. (1,676)

Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Insurance proceeds			(80,291)
Special assessments			(17,619)

The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position.

Principal payments on long-term liabilities			299,448
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Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the funds.

Decrease in accrued interest payable		4,930	
Increase in postemployment benefits payable		(188,139)	
Decrease in net pension liability		113,258	
Decrease in accrued compensated absences		<u>394</u>	<u>(69,557)</u>

Change in net position of governmental activities \$(638,930)

The notes to the financial statements are an integral part of this statement.

TOWNSHIP OF CLAY
St. Clair County, Michigan

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Water	Sewer	Total
Assets:			
Current Assets:			
Cash and investments	\$ 1,944,189	\$ 501,067	\$ 2,445,256
Utilities Receivable	490,066	160,528	650,594
Inventory	93,882	22,598	116,480
Prepaid expenses	14,639	3,611	18,250
Prepaid service contracts - current portion	177,937	3,500	181,437
Total Current Assets	2,720,713	691,304	3,412,017
Restricted Assets:			
Cash and investments	686,863	-	686,863
Special assessment receivable	171,547	-	171,547
Total Restricted Assets	858,410	-	858,410
Capital Assets:			
Property, plant, and equipment net of accumulated depreciation	7,484,494	4,321,335	11,805,829
Other Assets:			
Special assessment receivable	4,377	-	4,377
Prepaid service contracts	2,932,805	89,606	3,022,411
Total Other Assets	2,937,182	89,606	3,026,788
Total Assets	14,000,799	5,102,245	19,103,044
Deferred Outflows of Resources:			
Related to the pension plan	73,893	26,750	100,643
Liabilities:			
Current Liabilities:			
Accounts payable	56,018	2,041	58,059
Accrued expenses	8,820	3,173	11,993
Due to other funds	5,682	-	5,682
Due to other governmental units	46,527	93,331	139,858
Accrued interest	16,548	-	16,548
Current portion of long-term debt	485,625	3,500	489,125
Total Current Liabilities	619,220	102,045	721,265
Long-term Liabilities:			
Net OPEB obligation	337,910	43,188	381,098
Net pension liability	654,509	54,006	708,515
Long-term debt - net of current portion	2,426,625	89,606	2,516,231
Total Long-term Liabilities	3,419,044	186,800	3,605,844
Total Liabilities	4,038,264	288,845	4,327,109
Deferred Inflows of Resources:			
Related to the pension plan	7,842	2,413	10,255
Net Position:			
Net Investment in capital assets	4,572,244	4,321,335	8,893,579
Restricted for:			
Equipment replacement reserves	686,863	-	686,863
Unrestricted	4,769,479	516,402	5,285,881
Total Net Position	\$ 10,028,586	\$ 4,837,737	\$ 14,866,323

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLAY
St. Clair County, Michigan

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Water	Sewer	Total
Operating Revenues:			
Charges for services - user charges	\$ 1,493,419	\$ 612,418	\$ 2,105,837
Hydrant rental	24,500	-	24,500
Other revenue	91,817	14,366	106,183
Total Operating Revenues	1,609,736	626,784	2,236,520
Operating Expenses:			
Cost of water purchased and sewer disposal	560,194	343,902	904,096
Salaries and wages	214,858	98,731	313,589
Fringe benefits	269,865	54,749	324,614
Meters, tools, and supplies	44,201	14,781	58,982
Administration fee	36,708	36,708	73,416
Utilities	15,068	12,195	27,263
Repairs and maintenance	51,341	7,953	59,294
Other operating expenses	54,884	20,393	75,277
Depreciation and amortization	426,055	309,455	735,510
Total Operating Expenses	1,673,174	898,867	2,572,041
Operating Loss	(63,438)	(272,083)	(335,521)
Non-Operating Revenues (Expenses):			
Interest expense and paying agent fees	(68,057)	-	(68,057)
Interest income	24,211	7,345	31,556
Debt service fees	573,837	-	573,837
Tap fees	53,800	17,350	71,150
Total Non-Operating Revenues	583,791	24,695	608,486
Change in Net Position	520,353	(247,388)	272,965
Net Position at beginning of year	9,508,233	5,085,125	14,593,358
Net Position end of year	\$ 10,028,586	\$ 4,837,737	\$ 14,866,323

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLAY
St. Clair County, Michigan

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Water	Sewer	Total
Cash Flows From Operating Activities:			
Cash receipts from customers	\$ 1,598,067	\$ 622,318	\$ 2,220,385
Cash payments to suppliers	(821,124)	(430,163)	(1,251,287)
Cash payments to employees	(399,237)	(129,081)	(528,318)
Net Cash Provided by Operating Activities	377,706	63,074	440,780
Cash Flows From Capital and Related Financing Activities:			
Special assessment/tap fees	123,236	17,350	140,586
Purchase of capital assets	(132,404)	(6,952)	(139,356)
Principal and interest paid on debt	(610,951)	(3,500)	(614,451)
Debt service charge	573,837	-	573,837
Net Cash Provided (Used) by Capital and Related Financing Activities	(46,282)	6,898	(39,384)
Cash Flows From Investing Activities:			
Interest earned	24,211	7,345	31,556
Net Increase in Cash and Cash Equivalents for the year	355,635	77,317	432,952
Cash and Cash Equivalents at Beginning of Year	2,275,417	423,750	2,699,167
Cash and Cash Equivalents at End of Year	\$ 2,631,052	\$ 501,067	\$ 3,132,119
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:			
Operating loss for the year	\$(63,438)	\$(272,083)	\$(335,521)
Adjustments to reconcile operating gain to Net Cash Provided by Operating Activities -			
Depreciation and amortization	426,055	309,455	735,510
Change in assets and liabilities:			
Receivables	8,057	(4,466)	3,591
Inventory	(23,979)	(1,985)	(25,964)
Prepaid expenses	(45,164)	2,012	(43,152)
Deferred outflows of resources	46,105	14,187	60,292
Accounts payable/accrued expenses	9,750	357	10,107
Due to others funds	(19,726)	-	(19,726)
Net OPEB obligation	49,943	18,642	68,585
Net pension liability	(17,739)	(5,458)	(23,197)
Deferred inflows of resources	7,842	2,413	10,255
Net Cash Provided by Operating Activities	\$ 377,706	\$ 63,074	\$ 440,780

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLAY
St. Clair County, Michigan

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Employee Health Care Fund	Agency Funds
ASSETS:		
Cash and investments	\$ 327,219	\$ 399,696
Due from other funds	-	5,682
Total Assets	\$ 327,219	\$ 405,378
LIABILITIES:		
Accounts payable	\$ 327,219	\$ -
Undistributed taxes and interest	-	29,119
Due to other funds	-	1,213
Performance bonds and deposits	-	375,046
Total Liabilities	327,219	\$ 405,378
NET POSITION:		
Held in trust for pension and other employee benefits	\$ -	

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLAY
St. Clair County, Michigan

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
EMPLOYEE HEALTH CARE FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Employee Health Care Fund
Additions:	
Contributions - employer contributions	\$ 109,000
Investment income - interest and dividends	5,891
Total Additions	114,891
Deductions:	
Transfer to multi-employer trust	327,219
Net Decrease in net position available for benefits	(212,328)
Net Position Restricted For Benefits:	
Beginning of year	212,328
End of year	\$ -

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity -

The Township of Clay, Michigan (the "Township"), was organized as a Township in 1828 under the provisions of the Constitution and general law of the State of Michigan. The Township is located in southern St. Clair County and covers an area of approximately 82.5 square miles, which includes Harsens Island. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees. The Township provides services to its residents in many areas including law enforcement, fire protection, roads, water, sewer, cemetery, and parks and recreation.

These financial statements present the Township and its component unit, an entity for which the Township is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township.

DISCRETELY PRESENTED COMPONENT UNIT -

DOWNTOWN DEVELOPMENT AUTHORITY (DDA) - a nine-member board, who are appointed by the Township Board of Trustees, controls the Downtown Development Authority. The DDA is responsible for the creation of a development and financing plan for the downtown district or a development area within the district to promote economic growth. The DDA must obtain the Township Board approval of all development and financial plans. The annual operating budget and any modification require the approval of the Township Board. The DDA does not publish separate financial statements.

B. Government-wide and Fund Financial Statements -

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

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

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation -

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. (Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Agency funds do not have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.) Revenues are 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 revenues in the year they are due. 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*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are normally collected within 60 days after year-end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, pension benefits, other post-employment benefits, and claims and judgements, are recorded only when payment is due.

State shared revenue, interest, licenses, and permits associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Also, only the portion of special assessments receivable due within the current fiscal period is considered susceptible accrual as revenue of the current period. Property taxes, which are levied on December 1 and are due through the following February, are recognized as revenue in the year which they are levied. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

General Fund - is the Township's primary operating fund. It accounts for all financial resources of the primary government, except those required to be accounted for in another fund.

Fire Fund - is a special revenue fund used to account for the operations of firefighting activity throughout the Township. Funding is provided primarily through a local property tax levy and is restricted for fire services for the Township.

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Police Fund - is a special revenue fund used to account for the operations of law enforcement activity in the Township. Funding is provided primarily through a local property tax levy and is restricted for police protection for the Township.

The Township reports the following major proprietary funds:

Water Fund - is used to account for the treatment and distribution of water to residential and commercial users.

Sewer Fund - is used to account for sanitary sewer services provided to the residential and commercial users.

Additionally, the Township reports the following fund types:

Governmental Fund Types -

Special Revenue Funds - are used to account for and report the specific revenue sources that are restricted or committed for expenditures for specific purposes other than debt or capital projects.

Permanent Fund - is used to account for resources that are legally restricted to the extent that only earnings and not principal may be used for the perpetual care of the Township cemetery.

Debt Service Fund - is used to account for and report financial resources that are restricted, or committed to expenditures for debt service payments.

Fiduciary Fund Types -

Other Employee Benefits Trust Fund - was established under Public Act 149 of 1999 and accounts for the activities of the employee benefit plan, which accumulates resources for other postemployment benefit payments to qualified employees.

Agency Funds - are used to account for assets held by the Township in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's Enterprise Funds and various other functions of the government. Elimination of these charges would understate the direct costs and program revenues reported for the various functions concerned.

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal on-going operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses from Enterprise Funds include costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance -

Deposits and Investments -

The Township pools the cash reserves of the various funds in order to facilitate cash management and investment activity.

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and all certificates of deposit regardless of a maturity date of ninety days or less from the date of purchase.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at their carrying amount which reasonably approximates fair value.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

Receivables and Payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Property Tax Calendar -

Property taxes are levied on December 1 on the assessed valuation of property located in the Township as of the preceding December 31 and is treated as revenue in the current fiscal year. The Township also collects taxes for various other municipalities and school districts. The collection and remittance of all taxes are accounted for in the Tax Collection Fund.

Inventories and Prepaid Items -

Inventories are valued at cost, determined by the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

Prepaid Service Contracts -

Prepaid service contracts represent the Township's portion of various upgrades made to the City of Algonac's water plant for which the Township has no direct ownership interest. Payments are amortized over the deemed life of the water service contract with the City of Algonac and are recorded as depreciation expense.

Capital Assets -

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns 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 (prior to October 1, 2014, the threshold was \$1,000 or more) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	20 years
Underground mains	50 years
Sewage treatment plant	50 years
Buildings and building improvements	20 to 50 years
Land improvements	40 years
Vehicles and equipment	3 to 20 years
Furniture and fixtures	7 to 20 years

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Compensated Absences -

In accordance with certain contracts negotiated with the employee groups, employees earn vacation and sick time under formulas and conditions specified in the contract; however, the benefits are either paid out at year-end or forfeited, except for certain police personnel who are allowed to accumulate benefits up to amounts specified in the contract. All vested sick leave is accrued when incurred in the government-wide statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee identified resignations and retirements.

Long-term Obligations -

In the government-wide financial statements, and 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 statements of net position. Bond premiums and discounts, if material, 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 expensed as incurred.

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 on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources -

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The Township has the following items that qualify for reporting in this category: pension payments made subsequent to the measurement date, pension related changes in assumptions, differences between expected and actual experience, and the net difference between expected and actual plan investment earnings, which are all reported on the government-wide and proprietary fund statements of net position. The contributions made subsequent to the measurement date are recognized in the following plan year, and the other pension related deferred outflows of resources are amortized over the expected remaining service lives of the participants with the exception of the net difference between expected and actual plan investment earnings, which is amortized over five (5) years.

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

In addition to liabilities, the balance sheet sometimes reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) so will not be recognized as an inflow of resources (revenues) until that time. The Township had two items that qualify for reporting in this category, including unavailable revenues that are not collected within the 60-day period and differences between expected and actual experience in the pension plan. The unavailable revenues were special assessments, which are reported in the fund statements that were not due and collected within the availability period. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The deferred inflows of resources related to the pension plan are amortized over the expected remaining service lives of the participants.

Fund Balance -

In the fund financial statements, governmental funds have reported fund balances in one or more of the following classifications:

Nonspendable fund balance – the portion of fund balance that is not in a spendable form or is required to be maintained intact.

Restricted fund balance – the portion of fund balance that is mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed fund balance – the portion of fund balance that is set aside for a specific purpose by the Township itself, using the highest level of decision-making authority (Township Board) by the passage of a resolution.

Assigned fund balance – the portion of fund balance that reflects the Township's intended use of resources. Such intent currently must be determined by the Township Board. Also, amounts in excess of nonspendable, restricted and committed fund balance in funds other than the General Fund are reported as assigned.

Unassigned fund balance – the portion of fund balance in the General Fund that cannot be classified into one of the four categories above.

When different classifications of fund balance are present, it is the Township's policy that expenditures are to be spent from restricted fund balance first, if appropriate, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

Estimates -

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Upcoming Accounting Pronouncement -

The Governmental Accounting Standards Board (GASB) issued the following statement that could have an impact on the Township's financial statements when adopted. The Township is currently evaluating the implications of the pronouncement.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plan Other Than Pension Plans*, was issued in June 2015 and will become effective for the Township's June 30, 2018 fiscal year. The statement requires governments providing defined benefit plans to report the net OPEB liability in their statement of net position. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets accumulated in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries.

GASB Statement No. 87, *Leases*, was issued in June 2017 and will become effective for the Township's June 30, 2021 fiscal year. The objective of the Statement is to improve accounting and financial reporting for leases by governments, by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under this Statement, a lease 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.

GASB Statement No. 84, *Fiduciary Activities*, was issued in January 2017, and will become effective for the Township's June 30, 2020 fiscal year. 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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary Compliance -

Annual budgets are adopted for the General and Special Revenue Funds on a basis consistent with accounting principles generally accepted in the United States of America and are not significantly different from the *modified accrual basis* used to reflect actual results.

The annual budget is prepared by the Township supervisor and clerk, which is then formally adopted by the Township board; subsequent amendments are approved by the Township board.

The General Fund budget was approved at the activity level and the total expenditure level for the Special Revenue Funds. However, for control purposes all budgets are maintained at the account level.

The Township does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - (cont'd):

Michigan Public Act 621 of 1978, Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated at the legally enacted level. The Michigan Department of Treasury requires the reporting of any significant overages at the legal level of budgetary control (any overages at the legal level of budgetary control greater than 10% of total expenditures and the overage itself is larger than 10%). During the year ended June 30, 2017, the Township had overages that exceeded these thresholds as follows:

	<u>Final Budget</u>	<u>Amount Expended</u>	<u>Budget Variance</u>
General Fund -			
General Government -			
Township Hall	\$ 441,725	\$ 492,707	\$ 50,982
Public Works -			
Road Maintenance and Construction	170,000	229,702	59,702
Special Revenue Fund -			
Police Fund	2,364,860	2,695,036	330,176
Road/Canal Maintenance Fund	26,687	30,652	3,965

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 and the cumulative shortfall generated since January 1, 2000 is as follows:

Shortfall at July 1, 2016	\$(1,322,872)
Permit revenue	165,480
Related expenses	<u>168,519</u>
Current year shortfall	(3,039)
Cumulative shortfall at June 30, 2017	<u><u>\$(1,325,911)</u></u>

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2017, the carrying amount of the deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Fund</u>	<u>Component Units</u>	<u>Reporting Entity</u>
Cash on hand - petty cash	\$ 450	\$ -	\$ -	\$ 450
Deposits with Financial Institutions	6,472,831	540,739	346,685	7,360,255
Investments	<u>-</u>	<u>186,176</u>	<u>-</u>	<u>186,176</u>
	<u>\$ 6,473,281</u>	<u>\$ 726,915</u>	<u>\$ 346,685</u>	<u>\$ 7,546,881</u>

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

The Township's investment policy and Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the Township 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 Employee Health Care Fund is also 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 funds assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Township's investment policy primary objectives, in order of priority, are safety, liquidity, diversification, and return on investment. The Township Treasurer is responsible for the investment program.

Custodial Credit Risk - Deposits - is the risk that in the event of a bank failure, the Township's deposits may not be returned. As an indication of the level of deposit custodial credit risk assumed by the Township as of June 30, 2017 the bank balance of the Township's deposits was \$7,445,520, of which \$3,628,061 was insured and the remaining \$3,817,459 was uninsured and uncollateralized.

Credit Risk - Investments - is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Township Investment Policy limits the types of investments the Township can purchase to those authorized by state law.

As of June 30, 2017, the Township of Clay had \$186,176 invested in Athene Annuity and Life Company held in the Employer Health Care Fund. The funds are invested in tax deferred annuities. Athene Annuity and Life Company has an A- rating from Standards & Poor's.

Custodial Credit Risk - Investments - is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments that are in the possession of another party. The Township's investment policy does not address custodial credit risk.

Concentration of Credit Risk - Investments - is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. The Township's investment policy places no limit on the amount it may invest in any one issuer.

As of June 30, 2017, the Township has \$186,176 invested in Athene Annuity and Life Company annuities, which are more than 5% of the Township's investments.

Interest Rate Risk - Investments - is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township investment policy does not address interest rate risk.

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - TAXES:

The Township property taxes are levied each December 1 on the assessed valuation of the property in the Township as of the preceding December 31, as adjusted by the March and July Board of Review.

Assessed values are established annually by the Township and are equalized by the State at an estimated percentage of the current market value. Real and personal property for the Township of Clay for the fiscal year 2017 had a taxable value of \$430,334,151. The millage rates levied by the Township was 0.5526 mills for operating purposes, 4.3500 mills for police services, and 1.6250 mills for fire services.

Taxes that are collected by the Township from the date of the levy to December 31 are retained in the Tax Collection Fund.

The County of St. Clair has established a Tax Collection Revolving Fund whereby all local units of government are paid for the delinquent real property taxes each year.

NOTE 5 - RECEIVABLES:

Receivables in the governmental and business-type activities at June 30, 2017 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Special assessments	\$ 17,565	\$ 175,924
Accounts	56,493	650,594
Due from other governmental units	681,534	-
Due from fiduciary funds	<u>1,213</u>	<u>-</u>
	<u>\$ 756,805</u>	<u>\$ 826,518</u>

NOTE 6 - PAYABLES:

Payables in the governmental and business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts payable	\$ 139,919	\$ 58,059
Accrued wages and fringe benefits	116,151	11,993
Due to other governmental units	-	139,858
Due to fiduciary funds	<u>-</u>	<u>5,682</u>
	<u>\$ 256,070</u>	<u>\$ 215,592</u>

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - INTERFUND RECEIVABLE, PAYABLE, AND TRANSFERS:

The composition of interfund balances as of June 30, 2017 is as follows:

Due From/To Other Funds -

Receivable Fund	Payable Fund	Amount
General Fund	Fire Fund	\$ 97,509 (4)
	Tax Fund	1,213 (5)
Colony Maintenance Agency Fund	Water Fund	5,682 (3)
Cemetery Perpetual Care Fund	General Fund	1,500 (2)
		\$ 105,904

Due From/To Primary Government and Component Units -

Receivable Fund	Payable Fund	Amount
Downtown Development Authority	General Fund	\$ 48,749 (2)

Transfers In/Out -

Receiving Fund	Expending Fund	Amount
Colony Road Assessment Fund	General Fund	\$ 40,043 (1)

- (1) Annual appropriation
- (2) To reclassify for items paid from incorrect fund
- (3) Amount owed for undistributed maintenance fees
- (4) Short-term cash flow
- (5) Amount owed for undistributed taxes/interest

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the Township for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Adjustments/ Deletions	Balance June 30, 2017
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 802,501	\$ -	\$ -	\$ 802,501
Construction in Progress	<u>791,194</u>	<u>27,483</u>	<u>818,677</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,593,695</u>	<u>27,483</u>	<u>818,677</u>	<u>802,501</u>
Capital assets, being depreciated:				
Infrastructure	2,118,331	103,048	-	2,221,379
Buildings and improvements	4,614,694	450,804	-	5,065,498
Land improvements	-	83,425	-	83,425
Vehicles and equipment	4,072,009	393,141	32,848	4,432,302
Furniture and fixtures	<u>90,300</u>	<u>-</u>	<u>-</u>	<u>90,300</u>
Total capital assets being depreciated	<u>10,895,334</u>	<u>1,030,418</u>	<u>32,848</u>	<u>11,892,904</u>
Accumulated depreciation for:				
Infrastructure	976,368	98,569	-	1,074,937
Buildings and improvements	2,670,457	126,219	-	2,796,676
Land improvements	-	2,086	-	2,086
Vehicles and equipment	3,484,324	220,444	9,385	3,695,383
Furniture and fixtures	<u>62,485</u>	<u>4,078</u>	<u>-</u>	<u>66,563</u>
Total accumulated depreciation	<u>7,193,634</u>	<u>451,396</u>	<u>9,385</u>	<u>7,635,645</u>
Total capital assets being depreciated, net	<u>3,701,700</u>	<u>579,022</u>	<u>23,463</u>	<u>4,257,259</u>
Governmental activities capital assets, net	<u>\$ 5,295,395</u>	<u>\$ 606,505</u>	<u>\$ 842,140</u>	<u>\$ 5,059,760</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	<u>\$ 32,562</u>	<u>\$ 118,055</u>	<u>\$ -</u>	<u>\$ 150,617</u>
Capital assets, being depreciated:				
Underground mains	22,883,858	14,350	-	22,898,208
Buildings and improvements	507,950	-	-	507,950
Vehicles and equipment	466,403	6,951	2,143	471,211
Sewage treatment plant	<u>5,328,495</u>	<u>-</u>	<u>-</u>	<u>5,328,495</u>
Total capital assets, being depreciated	<u>29,186,706</u>	<u>21,301</u>	<u>2,143</u>	<u>29,205,864</u>
Less - Accumulated depreciation for:				
Underground mains	13,185,832	436,569	-	13,622,401
Buildings and improvements	243,816	10,159	-	253,975
Vehicles and equipment	433,009	6,895	2,143	437,761
Sewage treatment plant	<u>3,129,777</u>	<u>106,738</u>	<u>-</u>	<u>3,236,515</u>
Total accumulated depreciation	<u>16,992,434</u>	<u>560,361</u>	<u>2,143</u>	<u>17,550,652</u>
Total capital assets, being depreciated, net	<u>12,194,272</u>	<u>(539,060)</u>	<u>-</u>	<u>11,655,212</u>
Business-type activities capital assets, net	<u>\$ 12,226,834</u>	<u>\$ (421,005)</u>	<u>\$ -</u>	<u>\$ 11,805,829</u>

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - CAPITAL ASSETS - (cont'd):

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

Governmental Activities:	
General Government	\$ 54,177
Public Safety	269,659
Public Works	90,125
Recreation and Culture	<u>37,435</u>
Total depreciation expense-governmental activities	<u>\$ 451,396</u>
Business-type Activities:	
Water Fund	\$ 250,906
Sewer Fund	<u>309,455</u>
Total depreciation expense-business-type activities	<u>\$ 560,361</u>

Amortization related to the prepaid service contract for the period ending June 30, 2017 was \$175,149.

NOTE 9 - LONG-TERM LIABILITIES:

The following is a summary of changes in the long-term liabilities (including current portion) of the primary government for the year ended June 30, 2017:

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Governmental Activities							
2014 Refunding Bonds							
Amount of issue: \$310,000		\$ 50,000 -					
Maturity through 2020	2.00%	55,000	\$ 205,000	\$ -	\$ 50,000	\$ 155,000	\$ 55,000
2016 Lease/Purchase Agreement:							
Amount of issue: \$249,448	3.75%	-	<u>249,448</u>	-	<u>249,448</u>	<u>-</u>	<u>-</u>
Total debt			454,448	-	299,448	155,000	55,000
Compensated absences			<u>22,316</u>	-	<u>394</u>	<u>21,922</u>	<u>-</u>
Total Governmental Activities			<u>476,764</u>	<u>-</u>	<u>299,842</u>	<u>176,922</u>	<u>55,000</u>
Business-type Activities							
Water Fund							
Contractual obligations with St. Clair County:							
1998 Algonac Water Plant (through the Michigan Drinking Water Revolving Fund Program) Township portion is 62.5%:							
Amount of issue: \$1,485,000		290,625 -					
Maturity through 2020	2.50%	306,625	1,181,625	-	284,375	897,250	290,625
2012 Frasier Water Line							
Amount of issue: \$86,232							
Maturity through 2022	5.00%	-	54,210	-	54,210	-	-
2014 Refunding Bonds							
Amount of issue: \$2,610,000	2.00% -	195,000 -					
Maturity through 2023	2.50%	465,000	<u>2,215,000</u>	<u>-</u>	<u>200,000</u>	<u>2,015,000</u>	<u>195,000</u>
Total Water Fund			3,450,835	-	538,585	2,912,250	485,625

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 - LONG-TERM LIABILITIES - (cont'd):

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Sewer Fund							
Contractual obligations with St. Clair County:							
2014 General Obligation Limited							
Tax Bonds (through the Michigan							
Drinking Water Revolving Fund							
Program) Township portion is 35%:							
Amount of issue: \$289,538							
Maturity through 2034	2.50%	3,500	\$ 96,606	\$ -	\$ 3,500*	\$ 93,106	\$ 3,500
Total Business-type Activities			<u>3,547,441</u>	<u>-</u>	<u>542,085</u>	<u>3,005,356</u>	<u>489,125</u>
Total Primary Government			<u>\$4,024,205</u>	<u>\$ -</u>	<u>\$ 841,927</u>	<u>\$ 3,182,278</u>	<u>\$ 544,125</u>

* The Township's portion is being reported as part of the treatment costs.

During fiscal 2015, the Township refunded \$310,000 of the 2000 Special Assessment Colony Road Bonds and \$2,290,000 of the 2001 Water Supply System No. II-A Bonds. At June 30, 2017, the bonds that were considered defeased had outstanding balances of \$215,000 for the 2000 (LTGO) Special Assessment Colony Road Bonds and \$1,300,000 for the 2001 Water Supply System No. II-A Bonds.

Annual Debt Requirements:

The annual requirements to pay the debt outstanding at June 30, 2017 for the following notes, bonds, and lease purchase agreements (excluding compensated absences) of the Primary Government are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 55,000	\$ 2,550	\$ 57,550	\$ 489,125	\$ 56,173	\$ 545,298
2019	50,000	1,500	51,500	500,250	51,503	551,753
2020	50,000	500	50,500	511,875	39,838	551,713
2021	-	-	-	510,250	28,825	539,075
2022	-	-	-	460,250	18,525	478,775
2023-2027	-	-	-	491,250	11,624	502,874
2028-2032	-	-	-	26,250	4,310	30,560
2033-2035	-	-	-	<u>16,106</u>	<u>1,081</u>	<u>17,187</u>
Total	<u>\$ 155,000</u>	<u>\$ 4,550</u>	<u>\$ 159,550</u>	<u>\$ 3,005,356</u>	<u>\$ 211,879</u>	<u>\$ 3,217,235</u>

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - PENSION PLAN:

Plan Descriptions -

The Charter Township of Clay participates in the Michigan Municipal Employees' Retirement System (MERS); an agent multiple-employer state-wide public employee defined benefit pension plan, that covers all employees that work at least 40 hours per week. MERS was created under Public Act 135 of 1945 and now operates under Public Act 220 of 1996. MERS was established to provide retirement, survivor, and disability benefits on a voluntary basis to the State of Michigan's local government employees. Act No. 427 of the Public Acts of 1974, as amended, establishes and amends the benefits provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information at www.mersofmich.com or by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension and pension expense have been determined on the same basis as they are reported by the pension plan (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 and is due pursuant to legal, statutory, and contractual requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with benefit terms.

The membership at December 31, 2016 was comprised of 34 active participants, 27 retirees and beneficiaries, and 4 other vested inactive participants.

Benefits Provided -

Retirement benefits are calculated for various divisions as 2.0%-2.5% of the employee's final three-year average salary times the employee's years of service. Employees are vested between 8-10 years of service. Normal retirement age is 60. Early retirement with unreduced benefits at age 50 or 55 and 20 or 25 years of service, based on bargaining unit, and at reduced benefits at age 50 or 55 and 15 or 20 years of service. Employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability benefits are determined in the same manner as retirement benefits but are payable immediately. An employee who leaves service may withdraw his or her contributions, plus accumulated interest. Benefit terms do not provide for annual cost-of-living adjustments to each employee's retirement benefit subsequent to the employee's retirement date.

Benefit terms, within the parameters established by MERS, are established and amended by authority of the Township Board.

Contributions -

The participants' obligation to contribute to the Plan was established by negotiations with the Township's collective bargaining units and requires a contribution of 3.91%-12.25% of gross wages. The Township pays the actuarially determined amount, which for the year ended June 30, 2017 was 9.03%-25.05% of covered payroll. At June 30, 2017, \$23,689 was payable to the Plan relating to June 2017 contributions.

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - PENSION PLAN - (cont'd):

Net Pension Liability -

The net pension liability of the Township has been measured as of December 31, 2016 as determined by an actuarial valuation performed as of that date and the changes in the net pension liability are composed of the following:

	<u>Total Pension Liability</u>	<u>Plan's Net Position</u>	<u>Net Pension Liability</u>
Beginning balance	\$ 9,132,151	\$ 5,324,932	\$ 3,807,219
Service cost	213,198	-	213,198
Interest on total pension liability	720,826	-	720,826
Net investment income	-	606,499	(606,499)
Change in benefits	(303)	-	(303)
Difference between expected and Actual experience	(80,429)	-	(80,429)
Contributions from employer	-	279,425	(279,425)
Contributions from employees	-	115,793	(115,793)
Benefit payments	(456,844)	(456,844)	-
Administrative costs	-	(11,970)	11,970
Ending balance	<u>\$ 9,528,599</u>	<u>\$ 5,857,835</u>	<u>\$ 3,670,764</u>

Plan fiduciary net position as a percentage of the total pension liability 61.48 %

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

For the year ended June 30, 2017, the Township recognized pension expense of \$296,081, including \$246,797 in the government-wide and \$49,284 in the proprietary fund financial statements of the primary government. At June 30, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Primary Government:		
Net difference between projected and actual earnings on Plan investments	\$ 209,848	\$ -
Contributions made subsequent to the measurement date	144,240	-
Difference between expected and actual experience	34,981	60,322
Changes in assumptions	<u>163,295</u>	<u>-</u>
	<u>\$ 552,364</u>	<u>\$ 60,322</u>

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - PENSION PLAN - (cont'd):

The amounts of deferred outflows of resources and deferred inflows of resources related to pension, excluding contributions to the Plan subsequent to the measurement date which will be recognized by the Plan in the next measurement period, will be recognized in pension expense as follows:

2018		\$ 167,666
2019		167,666
2020		49,177
2021		(36,707)
		<u>\$ 347,802</u>

Actuarial Assumptions -

The total pension liability was determined by an actuarial valuation as of December 31, 2016. The valuation used the following actuarial assumptions based on the most recent study of plan experience covering the period from January 1, 2011 through December 31, 2014.

Salary Increases - 3.75%

Inflation - 2.50%

Investment Rate of Return - 7.75%

Mortality Rates - 50% Male and 50% Female blend of the following tables: 1) the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%; 2) the RP-2014 Employee Mortality Tables; and 3) the RP-2014 Juvenile Mortality Tables. For disabled retirees, the RP-2014 Disabled Retiree Mortality Tables using a 50% Male and 50% Female blend were used.

Discount Rate - The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows - Based on the assumptions above, the 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - PENSION PLAN - (cont'd):

The long-term expected rate of return on 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 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 weighing 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 December 31, 2016 for each major asset class included in the Plan's target asset allocation, as disclosed in the investment footnote of the Plan, are summarized in the following table.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	57.5 %	5.0 %
Global Fixed Income	20.0	2.2
Real Assets	12.5	4.2
Diversifying Strategies	10.0	6.6

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 8.00 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1 % Increase (9.00%)
Net Pension Liability of the Primary Government	\$ 4,777,827	\$ 3,670,764	\$ 2,734,997

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS:

Plan Description -

In addition to the pension benefits described in Note 10, the Township provides healthcare benefits to certain full-time employees upon retirement, in accordance with labor contracts (for the police patrol unit employees hired prior to January 1, 2011, police command unit assessor and Fire Chief employees regardless of the date of hire, police dispatch employees hired prior to October 22, 2010, and the water department prior to July 1, 2010). Currently, 9 retirees are eligible. This is an agent multiple-employer defined benefit plan (the Retiree Health Plan) administered by the Michigan Municipal Employees' Retirement System (MERS). The benefits are provided under collective bargaining agreements. Administrative costs are paid by the Township. The Township purchases Medicare supplemental insurance for retirees eligible for Medicare. The Township has \$2,322,510 on deposit with MERS and \$327,219 in the Employee Health Care Fund that is due to MERS at June 30, 2017.

The Retiree Health Plan does not issue a publicly available financial report.

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS - (cont'd):

Contribution and Funding Policy -

The Township includes retirees and their dependents in its insured healthcare plan, with participants paying \$800 annually, dependent on employment unit, following their retirement as a vested contribution to retiree health care premiums to cover the retiree and dependents, excluding the spouse. Spouses will be covered with matching contributions by the retiree. Retiree healthcare costs are currently recognized when paid by the Township on a “pay-as-you-go” basis. The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment. However, as shown below, the Township has made contributions to advance-fund these benefits, as determined by the board through annual budget resolutions.

The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

Annual OPEB Cost and Net OPEB Obligation -

The Township’s annual other postemployment benefits (OPEB) cost is based on the annual required contribution (ARC) of the employer, an amount calculated in accordance with the alternative measurement method permitted by GASB No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents the level of funding necessary to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) amortized over a period of thirty years. The Township’s annual OPEB cost for the year, the amount actually contributed, and changes in net OPEB obligation are as follows:

	<u>Primary Government</u>
Annual required contribution	\$ 533,352
Interest on net OPEB obligation	70,882
Adjustment to annual required contribution	(92,218)
Annual OPEB cost (expense)	512,016
Contributions made -	(255,292)
Increase in net OPEB obligation	256,724
Net OPEB obligation - beginning of year	<u>1,417,624</u>
Net OPEB obligation - end of year	<u>\$ 1,674,348</u>

Funded Status and Progress -

The projection of future benefit payments for an obligation for an ongoing plan involves estimates for the value of reported amounts and assumptions about the probability or occurrence into the future. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS - (cont'd):

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
6/30/12	\$ 1,384,466	\$ 5,887,399	\$ 4,502,933	23.5 %	\$ 1,965,758	229.1 %
6/30/13	1,647,779	4,182,059	2,534,280	39.4	2,041,121	124.2
6/30/16	2,272,715	8,288,645	6,015,930	27.4	1,710,936	351.6

The assumptions and determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Schedule of Employer Contributions

Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
6/30/15	\$ 285,451	87.7 %	\$ 1,124,852
6/30/16	516,422	43.3	1,417,624
6/30/17	512,016	49.9	1,674,348

Actuarial Methods and Assumptions -

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

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

The following simplifying assumptions were made:

Retirement Age of Active Employees - Based on the union contracts requirements for retirement age for the covered group, active plan members were assumed to retire at age 55 and age 60 for the Fire Chief.

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS - (cont'd):

Marital Status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The United States Life Tables for Males and for Females were obtained from the Center for Disease Control (www.cdc.gov). The most recent data are the life tables for males and females, 2011 version (Tables 2 and 3 from the National Vital Statistics Report, Vol. 64, No. 11 dated September 22, 2015).

Turnover - Nongroup-specific age-based turnover data from GASB Statement No. 45 was used as the basis for assigning active members a probability of remaining employment until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. The rate was estimated at 6.0 percent for 2018, increasing each year to 6.2 percent in 2022 before dropping to 6.0 percent in 2023 and for years thereafter.

Health Insurance Premiums - 2018 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Payroll Growth Rate - The expected long-term payroll growth rate assumption of 2.0 percent was based on the salary increases per the union contracts.

Based on historical and expected returns of the short-term investment portfolio, a discount rate of 5 percent and 5 percent investment rate was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open period with a remaining amortization period of 30 years.

Investment Rate of Return - In the 2016 valuation, the investment rate of return was 5 percent.

NOTE 12 - WATER SUPPLY SERVICE AGREEMENT:

The Township of Clay does not own a water filtration plant; instead the Township has entered into an agreement with the City of Algonac to provide the Township's water supply. Under an amended agreement dated July 7, 1998, the Township agreed to purchase its present and future water requirements from the City of Algonac. The agreement is for a period of thirty years, at such rates as the City may establish and is reasonable.

NOTE 13 - SEWAGE DISPOSAL SYSTEM AGREEMENT:

The Township of Clay does not operate or own a Sanitary Sewer Disposal Plant; instead, the Township has entered into an agreement with the St. Clair County DPW to accept and dispose of the Township's sanitary sewage. The Township's local unit share percentage is 35%. The amended agreement was signed January 29, 2003 and extends for 40 years.

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 - INTERGOVERNMENTAL AGREEMENT:

On August 1, 2013, the Township signed an agreement with Ira Township. The agreement provides that the Township of Clay will provide law enforcement services to Ira Township. Ira Township will pay the Township of Clay \$125,000 per year from August 1, 2013 to August 1, 2016. In the event that Ira Township seeks a millage renewal for police protection and the millage renewal fails, this contract will be null and void after 60 days of the election.

NOTE 15 - RESTRICTED ASSETS:

The water contract with the City of Algonac requires the Township to establish an Equipment Replacement Fund for maintenance, repair and equipment replacement of the water system. The balance of the restricted funds at June 30, 2017 was \$686,863.

NOTE 16 - RESTRICTED NET POSITION:

The net position has been restricted in the entity-wide statement of net position at June 30, 2017 for the following purposes:

Governmental Activities:

Cemetery Perpetual Care Fund - Nonspendable Funds		\$		66,407
General Government - Oaklawn Cemetery Fund	\$		27,742	
Phragmites Fund		9,335		37,077
Public Safety - Fire Fund			178,560	
Pension Liability	(59,245)	
OPEB Liability	(16,920)	102,395
Police Fund			560,423	
Pension Liability	(560,423)	-
Drug Enforcement Fund				33,026
Drug Forfeiture Fund				3,034
				<u>138,455</u>
Public Works - Rubbish Collection Fund				272,210
Road/Canal Maintenance Fund				102,794
Special Lighting				1,379
				<u>376,383</u>
Recreational and Cultural - Parks and Recreation Fund				68,251
Total Restricted Net Position - Governmental Activities				<u>686,573</u>

Business-type Activities:

Water Fund - Equipment Replacement Reserves				686,863
Total Restricted Net Position				<u>\$ 1,373,436</u>

TOWNSHIP OF CLAY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 17 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees, medical benefits provided to employees, etc. The Township has purchased issuance coverage for each of these types of losses, however would be responsible should limits of coverage be exceeded.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF CLAY
St. Clair County, Michigan

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 427,048	\$ 427,048	\$ 398,243	\$(28,805)
Licenses and permits	199,955	199,955	255,416	55,461
Intergovernmental	721,362	721,362	765,910	44,548
Charges for services	57,650	57,650	52,141	(5,509)
Interest and rent	5,710	5,710	7,243	1,533
Other	89,880	89,880	183,598	93,718
Total Revenues	<u>1,501,605</u>	<u>1,501,605</u>	<u>1,662,551</u>	<u>160,946</u>
Expenditures:				
General Government -				
Legislative	21,471	21,471	19,341	2,130
Supervisor	102,378	102,378	88,829	13,549
Elections	34,513	34,513	24,247	10,266
Assessor	192,315	192,315	170,912	21,403
Clerk	108,363	108,363	101,512	6,851
Board of review	6,188	6,188	3,055	3,133
Treasurer	109,062	109,062	80,625	28,437
Township hall	441,725	441,725	492,707	(50,982)
	<u>1,016,015</u>	<u>1,016,015</u>	<u>981,228</u>	<u>34,787</u>
Public Safety -				
Inspections	177,596	177,596	168,519	9,077
Planning commission	77,796	77,796	32,923	44,873
Zoning	33,159	33,159	25,158	8,001
	<u>288,551</u>	<u>288,551</u>	<u>226,600</u>	<u>61,951</u>
Public Works -				
Drains at large	8,492	8,492	11,329	(2,837)
Road maintenance and construction	170,000	170,000	229,702	(59,702)
	<u>178,492</u>	<u>178,492</u>	<u>241,031</u>	<u>(62,539)</u>
Recreation and Cultural -				
Community	2,500	2,500	3,500	(1,000)
Library	6,453	6,453	6,546	(93)
	<u>8,953</u>	<u>8,953</u>	<u>10,046</u>	<u>(1,093)</u>
Total Expenditures	<u>1,492,011</u>	<u>1,492,011</u>	<u>1,458,905</u>	<u>33,106</u>
Revenues over expenditures	<u>9,594</u>	<u>9,594</u>	<u>203,646</u>	<u>194,052</u>

TOWNSHIP OF CLAY
St. Clair County, Michigan

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
Other Financing Uses:				
Transfers to other funds	\$ -	\$ -	\$(40,043)	\$(40,043)
Net Change in Fund Balance	9,594	9,594	163,603	154,009
Fund Balance at beginning of year	<u>2,279,922</u>	<u>2,279,922</u>	<u>2,279,922</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 2,289,516</u></u>	<u><u>\$ 2,289,516</u></u>	<u><u>\$ 2,443,525</u></u>	<u><u>\$ 154,009</u></u>

TOWNSHIP OF CLAY
St. Clair County, Michigan

FIRE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ 685,348	\$ 685,348	\$ 683,319	\$(2,029)
Intergovernmental	320,000	320,000	333,696	13,696
Charges for services	28,000	28,000	14,931	(13,069)
Interest	1,100	1,100	537	(563)
Other	-	-	62,694	62,694
	<u>1,034,448</u>	<u>1,034,448</u>	<u>1,095,177</u>	<u>60,729</u>
Expenditures:				
Public Safety -				
Salaries and fringes	658,302	658,302	685,956	(27,654)
Other current services	376,146	376,146	328,895	47,251
	<u>1,034,448</u>	<u>1,034,448</u>	<u>1,014,851</u>	<u>19,597</u>
Revenues over expenditures	-	-	80,326	80,326
Fund Balance at beginning of year	<u>98,234</u>	<u>98,234</u>	<u>98,234</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 98,234</u>	<u>\$ 98,234</u>	<u>\$ 178,560</u>	<u>\$ 80,326</u>

TOWNSHIP OF CLAY
St. Clair County, Michigan

POLICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Property taxes	\$ 1,834,173	\$ 1,834,173	\$ 1,829,715	\$(4,458)
Intergovernmental	77,972	77,972	127,676	49,704
Charges for services	193,957	193,957	245,171	51,214
Fines and forfeitures	14,485	14,485	14,139	(346)
Interest	2,000	2,000	379	(1,621)
Other revenues	26,553	26,553	35,486	8,933
	<u>2,149,140</u>	<u>2,149,140</u>	<u>2,252,566</u>	<u>103,426</u>
Expenditures:				
Public Safety -				
Salaries and fringes	1,926,711	1,926,711	2,089,993	(163,282)
Legal fees	23,000	23,000	11,150	11,850
Insurance	22,000	22,000	19,228	2,772
Facility	29,200	29,200	25,495	3,705
Repairs and maintenance	35,000	35,000	28,673	6,327
Other	132,949	132,949	123,524	9,425
Capital outlay	196,000	196,000	136,945	59,055
Debt Service -				
Principal	-	-	249,448	(249,448)
Interest and Charges	-	-	10,580	(10,580)
	<u>2,364,860</u>	<u>2,364,860</u>	<u>2,695,036</u>	<u>(330,176)</u>
Revenues under expenditures	(215,720)	(215,720)	(442,470)	(226,750)
Fund Balance at beginning of year	<u>1,002,893</u>	<u>1,002,893</u>	<u>1,002,893</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 787,173</u>	<u>\$ 787,173</u>	<u>\$ 560,423</u>	<u>\$(226,750)</u>

TOWNSHIP OF CLAY
St. Clair County, Michigan

EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN YEARS
(PLAN YEAR)

	For the Year Ended December 31,				
	2016	2015	2014	2013*	2012-2007*
Total Pension Liability					
Service Cost	\$ 213,198	\$ 222,469	\$ 200,818	\$ -	\$ -
Interest	720,826	674,129	640,859	-	-
Change in benefits	(303)	1,351	-	-	-
Differences between expected and actual experience	(80,429)	69,961	-	-	-
Change in assumptions	-	326,591	-	-	-
Benefit payments, including refunds	(456,844)	(444,769)	(453,675)	-	-
Change in total pension liability	396,448	849,732	388,002	-	-
Total pension liability, beginning of year	9,132,151	8,282,419	7,894,417	-	-
Total pension liability, end of year	<u>\$ 9,528,599</u>	<u>\$ 9,132,151</u>	<u>\$ 8,282,419</u>	<u>\$ 7,894,417</u>	<u>\$ -</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 279,425	\$ 286,312	\$ 226,575	\$ -	\$ -
Contributions - Member	115,793	111,205	111,027	-	-
Net investment income	606,499	(82,107)	330,716	-	-
Benefit payments, including refunds	(456,844)	(444,769)	(453,675)	-	-
Administrative expenses	(11,970)	(11,977)	(12,146)	-	-
Net change in plan fiduciary net position	532,903	(141,336)	202,497	-	-
Plan fiduciary net position, beginning of year	5,324,932	5,466,268	5,263,771	-	-
Plan fiduciary net position, end of year	<u>\$ 5,857,835</u>	<u>\$ 5,324,932</u>	<u>\$ 5,466,268</u>	<u>\$ 5,263,771</u>	<u>\$ -</u>
Township's Net Pension Liability - Ending	<u>\$ 3,670,764</u>	<u>\$ 3,807,219</u>	<u>\$ 2,816,151</u>	<u>\$ 2,630,646</u>	<u>\$ -</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	61.48%	58.31%	66.00%	66.68%	0.00%
Covered Employee Payroll	\$ 1,797,413	\$ 1,827,020	\$ 1,673,664		
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	204.2%	208.4%	168.3%		

* GASB No. 68 was implemented for fiscal year ended June 30, 2015, and the Township did not elect to retroactively implement.

TOWNSHIP OF CLAY
St. Clair County, Michigan

EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013-2008*</u>
Actuarially determined contributions	\$ 296,081	\$ 266,028	\$ 273,386	\$ 203,058	\$ -
Contributions in relation to the actuarially determined contribution	<u>296,081</u>	<u>266,028</u>	<u>273,386</u>	<u>203,058</u>	<u>-</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,793,858	\$ 1,710,936	\$ 1,627,468	\$ 1,699,159	-
Contributions as a Percentage of Covered Employee Payroll	16.51%	15.55%	16.80%	11.95%	

Valuation Date December 31, two years prior of the end of the fiscal year

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll, open
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market value
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	Replacement Index up to age 70, then 100%
Mortality	RP-2014 Healthy Annuitant Mortality Table with 50% Male and 50% Female blend

* GASB No. 68 was implemented for fiscal year ended June 30, 2015, and the Township did not elect to retroactively implement.

SUPPLEMENTARY INFORMATION

TOWNSHIP OF CLAY
St. Clair County, Michigan

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Special Revenue Funds			
	Rubbish Collection	Drug Enforcement	Drug Forfeiture	Oaklawn Cemetery
Assets:				
Cash and investments	\$ 292,940	\$ 16,392	\$ 3,034	\$ 28,980
Receivables -				
Special assessments	-	-	-	-
Other	-	16,634	-	-
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
	<u>\$ 292,940</u>	<u>\$ 33,026</u>	<u>\$ 3,034</u>	<u>\$ 28,980</u>
Total Assets	<u>\$ 292,940</u>	<u>\$ 33,026</u>	<u>\$ 3,034</u>	<u>\$ 28,980</u>
 Liabilities:				
Accounts payable	\$ 20,730	\$ -	\$ -	\$ 232
Accrued liabilities	-	-	-	1,006
	<u>20,730</u>	<u>-</u>	<u>-</u>	<u>1,238</u>
Total Liabilities	<u>20,730</u>	<u>-</u>	<u>-</u>	<u>1,238</u>
 Deferred Inflows of Resources:				
Unavailable revenue -				
Special assessments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund Balance:				
Nonspendable for -				
Perpetual care	-	-	-	-
Restricted	272,210	33,026	3,034	27,742
	<u>272,210</u>	<u>33,026</u>	<u>3,034</u>	<u>27,742</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 292,940</u>	<u>\$ 33,026</u>	<u>\$ 3,034</u>	<u>\$ 28,980</u>

				Permanent Fund	Debt Service Fund	
Special Lighting	Road/Canal Maintenance	Parks and Recreation	Phragmites Program	Cemetery Perpetual Care	Colony Road Assessment	Total
\$ 1,379	\$ 102,794	\$ 32,620	\$ 9,335	\$ 64,907	\$ -	\$ 552,381
-	-	-	-	-	14,099	14,099
-	-	-	-	-	-	16,634
-	-	38,802	-	-	-	38,802
-	-	-	-	1,500	-	1,500
<u>\$ 1,379</u>	<u>\$ 102,794</u>	<u>\$ 71,422</u>	<u>\$ 9,335</u>	<u>\$ 66,407</u>	<u>\$ 14,099</u>	<u>\$ 623,416</u>
\$ -	\$ -	\$ 1,791	\$ -	\$ -	\$ -	\$ 22,753
-	-	1,380	-	-	-	2,386
-	-	3,171	-	-	-	25,139
-	-	-	-	-	14,099	14,099
-	-	-	-	66,407	-	66,407
1,379	102,794	68,251	9,335	-	-	517,771
<u>1,379</u>	<u>102,794</u>	<u>68,251</u>	<u>9,335</u>	<u>66,407</u>	<u>-</u>	<u>584,178</u>
<u>\$ 1,379</u>	<u>\$ 102,794</u>	<u>\$ 71,422</u>	<u>\$ 9,335</u>	<u>\$ 66,407</u>	<u>\$ 14,099</u>	<u>\$ 623,416</u>

TOWNSHIP OF CLAY
St. Clair County, Michigan

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds			
	Rubbish Collection	Drug Enforcement	Drug Forfeiture	Oaklawn Cemetery
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	25,000
Special assessments	866,387	-	-	-
Interest and rent	-	-	60	1,231
Other	1,185	2,825	-	4,172
Total Revenues	<u>867,572</u>	<u>2,825</u>	<u>60</u>	<u>30,403</u>
Expenditures:				
Current -				
General Government	-	-	-	38,633
Public Safety	-	8,667	3,078	-
Public Works	833,270	-	-	-
Recreation and Cultural	-	-	-	-
Debit Service				
Principal	-	-	-	-
Interest and Charges	-	-	-	-
Total Expenditures	<u>833,270</u>	<u>8,667</u>	<u>3,078</u>	<u>38,633</u>
Revenues over (under) expenditures	34,302	(5,842)	(3,018)	(8,230)
Other Financing Sources:				
Transfers from other funds	-	-	-	-
Net Change in Fund Balances	34,302	(5,842)	(3,018)	(8,230)
Fund Balances at beginning of year	<u>237,908</u>	<u>38,868</u>	<u>6,052</u>	<u>35,972</u>
Fund Balances at end of year	<u>\$ 272,210</u>	<u>\$ 33,026</u>	<u>\$ 3,034</u>	<u>\$ 27,742</u>

				Permanent Fund	Debt Service Fund	
Special Lighting	Road/Canal Maintenance	Parks and Recreation	Phragmites Program	Cemetery Perpetual Care	Colony Road Assessment	Total
\$ -	\$ -	\$ 38,792	\$ -	\$ -	\$ -	\$ 38,792
-	-	-	-	1,500	-	26,500
-	39,328	-	-	-	12,604	918,319
-	-	1,700	-	107	1,753	4,851
-	-	321	3,985	-	-	12,488
-	39,328	40,813	3,985	1,607	14,357	1,000,950
-	-	-	1,166	-	-	39,799
-	-	-	-	-	-	11,745
-	30,652	-	-	-	-	863,922
-	-	62,561	-	-	-	62,561
-	-	-	-	-	50,000	50,000
-	-	-	-	-	3,600	3,600
-	30,652	62,561	1,166	-	53,600	1,031,627
-	8,676	(21,748)	2,819	1,607	(39,243)	(30,677)
-	-	-	-	800	39,243	40,043
-	8,676	(21,748)	2,819	2,407	-	9,366
1,379	94,118	89,999	6,516	64,000	-	574,812
\$ 1,379	\$ 102,794	\$ 68,251	\$ 9,335	\$ 66,407	\$ -	\$ 584,178

TOWNSHIP OF CLAY
St. Clair County, Michigan

RUBBISH COLLECTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
Revenues:				
Special assessments	\$ 842,190	\$ 842,190	\$ 866,387	\$ 24,197
Other	-	-	1,185	1,185
	<u>842,190</u>	<u>842,190</u>	<u>867,572</u>	<u>25,382</u>
Expenditures:				
Public Works	<u>842,190</u>	<u>842,190</u>	<u>833,270</u>	<u>8,920</u>
Revenues over expenditures	-	-	34,302	34,302
Fund Balance at beginning of year	<u>237,908</u>	<u>237,908</u>	<u>237,908</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 237,908</u></u>	<u><u>\$ 237,908</u></u>	<u><u>\$ 272,210</u></u>	<u><u>\$ 34,302</u></u>

TOWNSHIP OF CLAY
St. Clair County, Michigan

DRUG ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
Revenues:				
Other	\$ -	\$ -	\$ 2,825	\$ 2,825
Expenditures:				
Public Safety	<u>14,005</u>	<u>14,005</u>	<u>8,667</u>	<u>5,338</u>
Revenues under expenditures	(14,005)	(14,005)	(5,842)	8,163
Fund Balance at beginning of year	<u>38,868</u>	<u>38,868</u>	<u>38,868</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 24,863</u></u>	<u><u>\$ 24,863</u></u>	<u><u>\$ 33,026</u></u>	<u><u>\$ 8,163</u></u>

TOWNSHIP OF CLAY
St. Clair County, Michigan

DRUG FORFEITURE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
Revenues:				
Interest	\$ -	\$ -	\$ 60	\$ 60
Expenditures:				
Public Safety	<u>6,052</u>	<u>6,052</u>	<u>3,078</u>	<u>2,974</u>
Revenues under expenditures	(6,052)	(6,052)	(3,018)	3,034
Fund Balance at beginning of year	<u>6,052</u>	<u>6,052</u>	<u>6,052</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,034</u></u>	<u><u>\$ 3,034</u></u>

TOWNSHIP OF CLAY
St. Clair County, Michigan

OAKLAWN CEMETERY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 41,250	\$ 41,250	\$ 25,000	\$(16,250)
Interest and rent	1,000	1,000	1,231	231
Other	-	-	4,172	4,172
	<u>42,250</u>	<u>42,250</u>	<u>30,403</u>	<u>(11,847)</u>
Expenditures:				
General Government	<u>42,250</u>	<u>42,250</u>	<u>38,633</u>	<u>3,617</u>
Revenues under expenditures	-	-	(8,230)	(8,230)
Fund Balance at beginning of year	<u>35,972</u>	<u>35,972</u>	<u>35,972</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 35,972</u></u>	<u><u>\$ 35,972</u></u>	<u><u>\$ 27,742</u></u>	<u><u>\$(8,230)</u></u>

TOWNSHIP OF CLAY
St. Clair County, Michigan

SPECIAL LIGHTING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
Revenues:				
Special assessments	\$ 1,259	\$ 1,259	\$ -	\$(1,259)
Expenditures:				
Public Works	<u>1,259</u>	<u>1,259</u>	<u>-</u>	<u>1,259</u>
Revenues over expenditures	-	-	-	-
Fund Balance at beginning of year	<u>1,379</u>	<u>1,379</u>	<u>1,379</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 1,379</u></u>	<u><u>\$ 1,379</u></u>	<u><u>\$ 1,379</u></u>	<u><u>\$ -</u></u>

TOWNSHIP OF CLAY
St. Clair County, Michigan

ROAD/CANAL MAINTENANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
Revenues:				
Special assessments	\$ 45,396	\$ 45,396	\$ 39,328	\$(6,068)
Expenditures:				
Public Works	<u>26,687</u>	<u>26,687</u>	<u>30,652</u>	<u>(3,965)</u>
Revenues over expenditures	18,709	18,709	8,676	(10,033)
Fund Balance at beginning of year	<u>94,118</u>	<u>94,118</u>	<u>94,118</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 112,827</u></u>	<u><u>\$ 112,827</u></u>	<u><u>\$ 102,794</u></u>	<u><u>\$(10,033)</u></u>

TOWNSHIP OF CLAY
St. Clair County, Michigan

PARKS AND RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 41,728	\$ 41,728	\$ 38,792	\$(2,936)
Interest and rent	2,000	2,000	1,700	(300)
Other	2,000	2,000	321	(1,679)
	<u>45,728</u>	<u>45,728</u>	<u>40,813</u>	<u>(4,915)</u>
Expenditures:				
Recreation and Culture	<u>88,227</u>	<u>88,227</u>	<u>62,561</u>	<u>25,666</u>
Revenues under expenditures	(42,499)	(42,499)	(21,748)	20,751
Fund Balance at beginning of year	<u>89,999</u>	<u>89,999</u>	<u>89,999</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 47,500</u></u>	<u><u>\$ 47,500</u></u>	<u><u>\$ 68,251</u></u>	<u><u>\$ 20,751</u></u>

TOWNSHIP OF CLAY
St. Clair County, Michigan

PHRAGMITES PROGRAM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
Revenues:				
Other	\$ 4,400	\$ 4,400	\$ 3,985	\$(415)
Expenditures:				
General Government	<u>4,400</u>	<u>4,400</u>	<u>1,166</u>	<u>3,234</u>
Revenues over expenditures	-	-	2,819	2,819
Fund Balance at beginning of year	<u>6,516</u>	<u>6,516</u>	<u>6,516</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 6,516</u></u>	<u><u>\$ 6,516</u></u>	<u><u>\$ 9,335</u></u>	<u><u>\$ 2,819</u></u>

COMPONENT UNIT

TOWNSHIP OF CLAY
St. Clair County, Michigan

DOWNTOWN DEVELOPMENT AUTHORITY
DISCRETELY PRESENTED COMPONENT UNIT
SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 154,940	\$ 154,940	\$ 159,497	\$ 4,557
Interest	550	550	597	47
	<u>155,490</u>	<u>155,490</u>	<u>160,094</u>	<u>4,604</u>
Expenditures:				
Public Works	<u>155,490</u>	<u>155,490</u>	<u>65,924</u>	<u>89,566</u>
Revenues over expenditures	-	-	94,170	94,170
Fund Balance at beginning of year	<u>301,264</u>	<u>301,264</u>	<u>301,264</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 301,264</u></u>	<u><u>\$ 301,264</u></u>	<u><u>\$ 395,434</u></u>	<u><u>\$ 94,170</u></u>