

**TOWNSHIP OF CLAY**  
St. Clair County, Michigan

**ANNUAL FINANCIAL REPORT**  
with Supplementary Information

**FOR THE YEAR ENDED**  
**JUNE 30, 2018**



**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

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**TOWNSHIP OF CLAY**  
**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, 2018 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, 2018 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.

## ***Implementation of GASB Statement No. 75***

As discussed in Note 19 to the financial statements, the Township implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. The statement required the Township to record the net OPEB liability in the government-wide and proprietary fund financial statements and enhanced financial reporting of the Township's net OPEB liability and the related note disclosures of the Plan. Our opinion is not modified with respect to this matter.

## ***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 and retiree health benefit 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, combining water fund schedules, 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

# CLAY TOWNSHIP, MICHIGAN

## Management's Discussion and Analysis

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### OVERVIEW OF THE FINANCIAL STATEMENTS

The Township of Clay, Michigan's (the "Township") 2018 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 present combining statements for nonmajor governmental funds, combining schedules for the Water Fund, and the DDA budget to actual schedule. 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 \$19,374,392. This is an increase from 2017 of \$507,212. Governmental activities comprise \$3,974,433 and business-type activities make up \$15,399,959 of the total net position. In a condensed format, the table below shows net position as of June 30, 2018 and 2017.

	Governmental Activities		Business-type Activities	
	2018	2017*	2018	2017*
Assets:				
Current assets	\$ 4,157,194	\$ 4,177,925	\$ 3,703,350	\$ 3,234,957
Restricted assets	-	-	1,401,177	858,410
Noncurrent assets	4,876,479	5,059,760	14,363,728	15,009,677
	<u>9,033,673</u>	<u>9,237,685</u>	<u>19,468,255</u>	<u>19,103,044</u>
Deferred Outflows of Resources	<u>232,558</u>	<u>451,721</u>	<u>57,647</u>	<u>100,643</u>
Liabilities:				
Current liabilities	326,049	314,491	186,908	232,140
Current liabilities payable from restricted assets	-	-	43,725	-
Non-current liabilities	4,775,946	5,037,951	3,862,680	4,381,009
	<u>5,101,995</u>	<u>5,352,442</u>	<u>4,093,313</u>	<u>4,613,149</u>
Deferred Inflows of Resources	<u>189,803</u>	<u>50,067</u>	<u>32,630</u>	<u>10,255</u>
Net Position:				
Net investment in capital assets	4,776,479	4,904,760	8,901,980	8,893,579
Restricted	707,598	686,573	1,357,452	686,863
Unrestricted	<u>( 1,509,644)</u>	<u>( 1,304,436)</u>	<u>5,140,527</u>	<u>4,999,841</u>
Total Net Position	<u>\$ 3,974,433</u>	<u>\$ 4,286,897</u>	<u>\$ 15,399,959</u>	<u>\$ 14,580,283</u>

\* The 2017 balances have been restated to reflect the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The Township's governmental activities experienced a net change in position of \$(312,464). The business-type activities experienced a net change in position of \$819,676.

The following table shows the changes in net position for 2018 and 2017:

	Governmental Activities		Business-type Activities	
	2018	2017#	2018	2017
Revenues:				
Program revenues -				
Charges for services	\$ 1,566,536	\$ 1,538,753	\$ 2,943,530	\$ 2,881,507
Operating grants and contributions	314,800	440,719	-	-
Capital grants and contributions	115,018	115,976	390,585	-
General revenues -				
Property taxes	2,992,513	2,911,277	-	-
Unrestricted grants	887,474	871,836	-	-
Unrestricted investments	20,144	11,310	26,192	31,556
	<u>5,896,485</u>	<u>5,889,871</u>	<u>3,360,307</u>	<u>2,913,063</u>
Program Expenses:				
General government	1,117,143	1,072,904	-	-
Public safety	3,740,313	4,123,482	-	-
Public works	1,081,896	1,092,311	-	-
Community and economic development	56,894	58,081	-	-
Recreation and cultural	210,553	168,444	-	-
Interest on long-term debt	2,150	13,579	-	-
Water and sewer operations	-	-	2,540,631	2,640,098
	<u>6,208,949</u>	<u>6,528,801</u>	<u>2,540,631</u>	<u>2,640,098</u>
Change in net position	<u><u>\$ ( 312,464)</u></u>	<u><u>\$ ( 638,930)</u></u>	<u><u>\$ 819,676</u></u>	<u><u>\$ 272,965</u></u>

# The 2017 balances have been restated to 2018 reclassifications.

### ***Governmental Activities***

Revenues for governmental activities totaled \$5,896,485 in 2018. Of this amount, \$2,992,513 was received from taxes, which was an increase of \$81,236 from the prior year. The next largest revenue source was charges for services of \$1,566,536, an increase of \$27,783 from 2017.

### ***Business-type Activities***

The Township has one business-type activity, the water and sewer operations. Total revenues, including capital contributions and interest income, were \$3,360,307 and expenses were \$2,540,631, for a change in net position of \$819,676.

## **FINANCIAL ANALYSIS OF MAJOR TOWNSHIP FUNDS AND BUDGETS**

### ***Governmental Fund***

The General Fund ended 2018 with a fund balance of \$2,604,166, all of which was unassigned. The General Fund had a net change in fund balance of \$160,641.

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

- The Fire Fund had revenues over expenditures of \$4,962 with a fund balance of \$183,522 at June 30, 2018.
- The Police Fund had expenditures over revenues of \$137,470, with a fund balance of \$422,953 at June 30, 2018.



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 Government -**

- Township Hall expenditures were \$136,549 over budget due to professional fees of \$92,000.

**Public Works -**

- Road maintenance and construction expenditures were \$132,581 under 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 \$16,205,084 invested in capital assets for its government and business-type activities (net of accumulated depreciation) as of June 30, 2018. 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 \$359,263, of which \$277,358 was in the governmental activities and \$81,905 was in the business-type activities. The governmental activities' capital expenditures included \$134,588 for police department renovations, \$46,901 for a fire vehicle, \$60,136 for Township-shared road improvements, and \$35,733 for various types of equipment. The business-type activities' capital expenditures included \$10,033 for the purchase of land, \$47,704 for construction-in-process of a watermain, and \$24,168 for a vehicle.

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

### ***Long-term Liabilities***

At June 30, 2018, the Township had \$2,639,706 in long-term liabilities, compared to \$3,182,278 at June 30, 2017, a decrease of \$542,472. The decrease is a result of normal annual debt payments. No new debt was issued during the year.

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

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

For fiscal 2019, the Township adopted a balanced General Fund budget and anticipates revenues and expenditures of approximately \$1,611,903.

## **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, 2018**

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
<b>Assets:</b>				
Cash and investments	\$ 3,572,864	\$ 2,872,466	\$ 6,445,330	\$ 425,014
Receivables	491,757	680,994	1,172,751	-
Due from component unit	5,000	-	5,000	-
Inventory	-	129,176	129,176	-
Due from primary government	-	-	-	48,749
Prepaid expenses/deposits	87,573	20,714	108,287	-
Restricted assets -				
Cash and investments	-	1,298,184	1,298,184	-
Special assessment receivable	-	102,993	102,993	-
Prepaid service contracts	-	3,035,123	3,035,123	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	802,501	208,354	1,010,855	-
Assets being depreciated	4,073,978	11,120,251	15,194,229	-
Total Assets	<u>9,033,673</u>	<u>19,468,255</u>	<u>28,501,928</u>	<u>473,763</u>
<b>Deferred Outflows of Resources:</b>				
Related to the pension plan	<u>232,558</u>	<u>57,647</u>	<u>290,205</u>	<u>-</u>
<b>Liabilities:</b>				
Payables and accrued liabilities	240,885	173,026	413,911	3,156
Due to component unit	48,749	-	48,749	-
Due to primary government	-	-	-	5,000
Accrued interest	375	13,882	14,257	-
Advances and deposits	36,040	-	36,040	-
Liabilities payable from restricted assets	-	43,725	43,725	-
Non-current liabilities				
Accrued compensated absences	23,474	-	23,474	-
Net pension liability	2,710,233	664,041	3,374,274	-
Net OPEB obligation	1,942,239	682,407	2,624,646	-
Bonds/notes due within one year	50,000	500,250	550,250	-
Bond/notes due in more than one year	50,000	2,015,982	2,065,982	-
Total Liabilities	<u>5,101,995</u>	<u>4,093,313</u>	<u>9,195,308</u>	<u>8,156</u>
<b>Deferred Inflows of Resources</b>				
Related to the pension plan	178,165	28,540	206,705	-
Related to the OPEB plan	11,638	4,090	15,728	-
	<u>189,803</u>	<u>32,630</u>	<u>222,433</u>	<u>-</u>
<b>Net Position:</b>				
Net investment in capital assets	4,776,479	8,901,980	13,678,459	-
Restricted				
Perpetual care - Nonexpendable	68,600	-	68,600	-
General government	9,848	-	9,848	-
Public safety	218,142	-	218,142	-
Public works	377,213	-	377,213	-
Recreation and culture	33,795	-	33,795	-
Equipment replacement reserves	-	1,066,644	1,066,644	-
Debt service	-	290,808	290,808	-
Unrestricted	<u>( 1,509,644)</u>	<u>5,140,527</u>	<u>3,630,883</u>	<u>465,607</u>
Total Net Position	<u>\$ 3,974,433</u>	<u>\$ 15,399,959</u>	<u>\$ 19,374,392</u>	<u>\$ 465,607</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, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities:				
General Government	\$ 1,117,143	\$ 83,505	\$ -	\$ 29,495
Public Safety	3,740,313	466,474	308,879	45,706
Public Works	1,081,896	980,577	5,921	-
Community and Economic Development	56,894	-	-	-
Recreation and Cultural	210,553	35,980	-	39,817
Interest on Long-term Debt	2,150	-	-	-
Total Governmental Activities	<u>6,208,949</u>	<u>1,566,536</u>	<u>314,800</u>	<u>115,018</u>
Business-type Activities				
Water	1,666,311	2,256,952	-	390,585
Sewer	874,320	686,578	-	-
Total business-type activities	<u>2,540,631</u>	<u>2,943,530</u>	<u>-</u>	<u>390,585</u>
Total Primary Government	<u>\$ 8,749,580</u>	<u>\$ 4,510,066</u>	<u>\$ 314,800</u>	<u>\$ 505,603</u>
<b>Component Unit</b>				
Downtown Development Authority	<u>\$ 90,332</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, as restated

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			Component Unit (DDA)
Governmental Activities	Business-type Activities	Total	
\$( 1,004,143)	\$ -	\$( 1,004,143)	\$ -
( 2,919,254)	-	( 2,919,254)	-
( 95,398)	-	( 95,398)	-
( 56,894)	-	( 56,894)	-
( 134,756)	-	( 134,756)	-
( 2,150)	-	( 2,150)	-
<u>( 4,212,595)</u>	<u>-</u>	<u>( 4,212,595)</u>	<u>-</u>
-	981,226	981,226	-
<u>-</u>	<u>( 187,742)</u>	<u>( 187,742)</u>	<u>-</u>
<u>-</u>	<u>793,484</u>	<u>793,484</u>	<u>-</u>
			-
<u>( 4,212,595)</u>	<u>793,484</u>	<u>( 3,419,111)</u>	<u>-</u>
-	-	-	( 90,332)
2,992,513	-	2,992,513	159,724
887,474	-	887,474	-
20,144	26,192	46,336	781
<u>3,900,131</u>	<u>26,192</u>	<u>3,926,323</u>	<u>160,505</u>
( 312,464)	819,676	507,212	70,173
<u>4,286,897</u>	<u>14,580,283</u>	<u>18,867,180</u>	<u>395,434</u>
<u>\$ 3,974,433</u>	<u>\$ 15,399,959</u>	<u>\$ 19,374,392</u>	<u>\$ 465,607</u>

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	General	Fire	Police	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and investments	\$ 2,464,591	\$ 128,398	\$ 471,521	\$ 508,354	\$ 3,572,864
Receivables -					
Special assessments	-	-	-	9,230	9,230
Due from other governmental units	257,391	82,340	75,424	39,817	454,972
Other	22,651	-	-	2,439	25,090
Due from other funds	2,465	-	-	-	2,465
Due from component unit	-	-	-	5,000	5,000
Total Assets	<u>\$ 2,747,098</u>	<u>\$ 210,738</u>	<u>\$ 546,945</u>	<u>\$ 564,840</u>	<u>\$ 4,069,621</u>
<b>Liabilities:</b>					
Accounts payable	\$ 26,828	\$ 1,550	\$ 72,669	\$ 18,570	\$ 119,617
Accrued liabilities	47,018	19,497	51,323	3,430	121,268
Performance bonds and deposits	20,337	6,169	-	9,534	36,040
Due to component units	48,749	-	-	-	48,749
Total Liabilities	<u>142,932</u>	<u>27,216</u>	<u>123,992</u>	<u>31,534</u>	<u>325,674</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue -					
Special assessments	-	-	-	9,230	9,230
<b>Fund Balance:</b>					
Nonspendable - Perpetual care	-	-	-	68,600	68,600
Restricted	-	183,522	422,953	455,476	1,061,951
Unassigned	2,604,166	-	-	-	2,604,166
Total Fund Balance	<u>2,604,166</u>	<u>183,522</u>	<u>422,953</u>	<u>524,076</u>	<u>3,734,717</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 2,747,098</u>	<u>\$ 210,738</u>	<u>\$ 546,945</u>	<u>\$ 564,840</u>	<u>\$ 4,069,621</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, 2018**

Fund Balances - total governmental funds	\$	3,734,717
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Amounts reported for governmental activities in the statement of net position  
are different because:

Capital assets used in governmental activities are not financial resources,  
and therefore, are not reported in the funds.

Capital assets	\$ 12,255,196		
Accumulated depreciation	<u>( 7,378,717)</u>		4,876,479

Expenses recorded in the funds on the purchase method.		87,573
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Certain pension/OPEB contributions and changes in pension/OPEB plan liabilities  
are reported as deferred outflows (inflows) of resources in the statement  
of net position.

Deferred outflows of resources	232,558		
Deferred inflows of resources	<u>( 189,803)</u>		42,755

Other long-term assets are not available to pay for current period expenditures,  
and therefore, are reported as unavailable in the funds

Special assessments			9,230
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Long-term liabilities, including bonds payable, are not due and payable  
in the current period, and therefore, are not reported in the funds.

Bonds/Notes payable	( 100,000)		
Compensated absences	( 23,474)		
Net pension liability	( 2,710,233)		
Net OPEB liability	( 1,942,239)		
Accrued interest payable	<u>( 375)</u>	<u>( 4,776,321)</u>	

Net Position of governmental activities	\$	<u><u>3,974,433</u></u>
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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, 2018**

	General	Fire	Police	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 409,650	\$ 702,448	\$ 1,880,415	\$ -	\$ 2,992,513
Licenses and permits	255,411	-	-	-	255,411
Intergovernmental	786,990	87,138	267,447	50,512	1,192,087
Charges for services	48,533	2,615	239,163	46,285	336,596
Fines and forfeits	-	-	20,295	-	20,295
Special assessments	-	-	-	908,156	908,156
Interest and rent	11,925	878	5,082	4,109	21,994
Other	92,168	15,794	37,502	26,480	171,944
Total Revenues	<u>1,604,677</u>	<u>808,873</u>	<u>2,449,904</u>	<u>1,035,542</u>	<u>5,898,996</u>
<b>Expenditures:</b>					
General Government	1,032,612	-	-	2,112	1,034,724
Public Safety	169,596	803,911	2,587,374	15,790	3,576,671
Public Works	123,960	-	-	961,690	1,085,650
Community and Economic Development	56,894	-	-	-	56,894
Recreation and Cultural	9,223	-	-	110,253	119,476
Debt Service	-	-	-	57,550	57,550
Total Expenditures	<u>1,392,285</u>	<u>803,911</u>	<u>2,587,374</u>	<u>1,147,395</u>	<u>5,930,965</u>
Revenues over (under) expenditures	<u>212,392</u>	<u>4,962</u>	<u>( 137,470)</u>	<u>( 111,853)</u>	<u>( 31,969)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	-	-	-	52,394	52,394
Transfers to other funds	( 51,751)	-	-	( 643)	( 52,394)
Total Other Financing Sources (Uses)	<u>( 51,751)</u>	<u>-</u>	<u>-</u>	<u>51,751</u>	<u>-</u>
Net Change in Fund Balances	160,641	4,962	( 137,470)	( 60,102)	( 31,969)
Fund Balances at beginning of year	<u>2,443,525</u>	<u>178,560</u>	<u>560,423</u>	<u>584,178</u>	<u>3,766,686</u>
Fund Balances at end of year	<u>\$ 2,604,166</u>	<u>\$ 183,522</u>	<u>\$ 422,953</u>	<u>\$ 524,076</u>	<u>\$ 3,734,717</u>

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, 2018**

Net change in fund balances - total governmental funds	\$(	31,969)
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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	\$	277,358		
Depreciation expense	(	436,968)		
Net book value of assets sold/disposed		<u>(23,671)</u>	(	183,281)

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.	(	358,899)
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Change in prepaid expenses recorded in the funds on the purchase method.		7,615
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Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Special assessments	(	8,335)
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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		55,000
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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		400		
Increase in net OPEB liability	(	43,459)		
Decrease in net pension liability		252,016		
Increase in accrued compensated absences	(	<u>1,552)</u>	<u></u>	207,405

Change in net position of governmental activities	\$(	<u><u>312,464)</u></u>
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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, 2018**

	Water	Sewer	Total
<b>Assets:</b>			
Current Assets -			
Cash and investments	\$ 2,262,912	\$ 609,554	\$ 2,872,466
Utilities receivable	503,889	175,241	679,130
Inventory	106,430	22,746	129,176
Prepaid expenses	15,587	5,127	20,714
Prepaid service contracts - current portion	177,665	5,250	182,915
Total Current Assets	<u>3,066,483</u>	<u>817,918</u>	<u>3,884,401</u>
Restricted Assets -			
Cash and investments	1,298,184	-	1,298,184
Special assessment receivable	102,993	-	102,993
Total Restricted Assets	<u>1,401,177</u>	<u>-</u>	<u>1,401,177</u>
Capital Assets -			
Property, plant, and equipment, net of accumulated depreciation	<u>7,308,311</u>	<u>4,020,294</u>	<u>11,328,605</u>
Other Assets -			
Special assessment receivable	1,864	-	1,864
Prepaid service contracts	2,767,851	84,357	2,852,208
Total Other Assets	<u>2,769,715</u>	<u>84,357</u>	<u>2,854,072</u>
Total Assets	<u>14,545,686</u>	<u>4,922,569</u>	<u>19,468,255</u>
<b>Deferred Outflows of Resources:</b>			
Related to the pension plan	<u>42,608</u>	<u>15,039</u>	<u>57,647</u>
<b>Liabilities:</b>			
Current Liabilities -			
Accounts payable	72,783	86,651	159,434
Accrued expenses	10,717	2,875	13,592
Accrued interest	13,882	-	13,882
Current portion of long-term debt	495,000	5,250	500,250
Total Current Liabilities	<u>592,382</u>	<u>94,776</u>	<u>687,158</u>
Current Liabilities - (payable from restricted assets) -			
Accounts payable	<u>43,725</u>	<u>-</u>	<u>43,725</u>
Long-term Liabilities -			
Net pension liability	618,930	45,111	664,041
Net OPEB Liability	498,682	183,725	682,407
Long-term debt - net of current portion	1,931,625	84,357	2,015,982
Total Long-term Liabilities	<u>3,049,237</u>	<u>313,193</u>	<u>3,362,430</u>
Total Liabilities	<u>3,685,344</u>	<u>407,969</u>	<u>4,093,313</u>
<b>Deferred Inflows of Resources:</b>			
Related to the pension plan	25,582	2,958	28,540
Related to the OPEB plan	2,988	1,102	4,090
	<u>28,570</u>	<u>4,060</u>	<u>32,630</u>
<b>Net Position:</b>			
Net Investment in capital assets	4,881,686	4,020,294	8,901,980
Restricted for -			
Equipment replacement reserves	1,066,644	-	1,066,644
Debt service	290,808	-	290,808
Unrestricted	4,635,242	505,285	5,140,527
Total Net Position	<u>\$ 10,874,380</u>	<u>\$ 4,525,579</u>	<u>\$ 15,399,959</u>

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, 2018**

	Water	Sewer	Total
<b>Operating Revenues:</b>			
Charges for services - user charges	\$ 1,516,080	\$ 652,336	\$ 2,168,416
Hydrant rental	24,500	-	24,500
Other revenue	84,172	14,892	99,064
Total Operating Revenues	<u>1,624,752</u>	<u>667,228</u>	<u>2,291,980</u>
<b>Operating Expenses:</b>			
Cost of water purchased and sewer disposal	521,218	315,464	836,682
Salaries and wages	238,036	81,478	319,514
Fringe benefits	203,096	60,963	264,059
Meters, tools, and supplies	64,707	16,770	81,477
Administration fee	37,708	36,708	74,416
Utilities	17,762	11,463	29,225
Repairs and maintenance	9,077	15,160	24,237
Other operating expenses	88,816	27,217	116,033
Depreciation and amortization	427,946	309,097	737,043
Total Operating Expenses	<u>1,608,366</u>	<u>874,320</u>	<u>2,482,686</u>
Operating Gain (Loss)	<u>16,386</u>	<u>( 207,092)</u>	<u>( 190,706)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest expense and paying agent fees	( 57,945)	-	( 57,945)
Interest income	14,182	12,010	26,192
Debt service fees	580,797	-	580,797
Tap fees	51,403	19,350	70,753
Total Non-Operating Revenues	<u>588,437</u>	<u>31,360</u>	<u>619,797</u>
Net Income (Loss) Before Capital Contributions	604,823	( 175,732)	429,091
<b>Capital Contributions</b>	<u>390,585</u>	<u>-</u>	<u>390,585</u>
Change in Net Position	995,408	( 175,732)	819,676
Net Position at beginning of year, as restated	<u>9,878,972</u>	<u>4,701,311</u>	<u>14,580,283</u>
Net Position end of year	<u><u>\$ 10,874,380</u></u>	<u><u>\$ 4,525,579</u></u>	<u><u>\$ 15,399,959</u></u>

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, 2018**

	Water	Sewer	Total
<b>Cash Flows From Operating Activities:</b>			
Cash receipts from customers	\$ 1,601,268	\$ 652,515	\$ 2,253,783
Cash payments to suppliers	( 795,234)	( 429,668)	( 1,224,902)
Cash payments to employees	( 411,643)	( 134,165)	( 545,808)
Net Cash Provided by Operating Activities	<u>394,391</u>	<u>88,682</u>	<u>483,073</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Special assessment/tap fees	122,470	19,350	141,820
Capital contribution	390,585	-	390,585
Purchase of capital assets	( 26,145)	( 8,056)	( 34,201)
Principal and interest paid on debt	( 546,236)	( 3,499)	( 549,735)
Debt service charge	580,797	-	580,797
Net Cash Provided by Capital and Related Financing Activities	<u>521,471</u>	<u>7,795</u>	<u>529,266</u>
<b>Cash Flows From Investing Activities:</b>			
Interest earned	14,182	12,010	26,192
Net Increase in Cash and Cash Equivalents for the year	930,044	108,487	1,038,531
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>2,631,052</u>	<u>501,067</u>	<u>3,132,119</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 3,561,096</u></u>	<u><u>\$ 609,554</u></u>	<u><u>\$ 4,170,650</u></u>
<b>Reconciliation of Operating Gain (Loss) to Net Cash Provided by Operating Activities:</b>			
Operating gain (loss) for the year	\$ 16,386	\$( 207,092)	\$( 190,706)
Adjustments to reconcile operating gain to net cash provided by operating activities -			
Depreciation and amortization	427,946	309,097	737,043
Change in assets and liabilities -			
Receivables	( 13,823)	( 14,713)	( 28,536)
Inventory	( 12,548)	( 148)	( 12,696)
Prepaid expenses	( 13,636)	1,983	( 11,653)
Deferred outflows of resources	31,285	11,711	42,996
Accounts payable/accrued expenses	( 27,865)	( 9,019)	( 36,884)
Due to others funds	( 9,661)	-	( 9,661)
Net OPEB obligation	11,158	4,111	15,269
Net pension liability	( 35,579)	( 8,895)	( 44,474)
Deferred inflows of resources	20,728	1,647	22,375
Net Cash Provided by Operating Activities	<u><u>\$ 394,391</u></u>	<u><u>\$ 88,682</u></u>	<u><u>\$ 483,073</u></u>

The accompanying notes are an integral part of these financial statement

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2018**

	Agency Funds
<b>Assets:</b>	
Cash and investments	\$ 37,873
<b>Liabilities:</b>	
Undistributed taxes and interest	\$ 35,408
Due to other funds	2,465
Total Liabilities	\$ 37,873

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

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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, 2018**

**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 judgments, 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. 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.

**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.

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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 Type -**

**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.

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.



**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**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."

**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.

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**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 and amortization expenses.

**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 acquisition 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

**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.

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**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 reports deferred outflows of resources related to the net pension liability.

In addition to liabilities, the statement of net position and the balance sheet report 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 reports deferred inflows of resources related to unavailable revenues relating to special assessments reported in the governmental balance sheet for revenues that were not due and collected within the availability period. Deferred inflows of resources related to pensions and other postemployment benefits (OPEB) liabilities are reported in the statement of net position.

**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.

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

*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.

**Upcoming Accounting Pronouncements -**

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

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.

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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.

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, 2018, 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	\$ 414,835	\$ 551,384	\$ 136,549
Special Revenue Funds -			
Police Fund	2,308,941	2,587,374	278,433
Oaklawn Cemetery Fund	35,260	42,531	7,271
Road/Canal Maintenance Fund	37,358	49,910	12,552
Parks and Recreation Fund	87,185	110,253	23,068

The Township did not adopt a budget for the Special Lighting Fund, a Special Revenue Fund, for the fiscal year ended June 30, 2018, however, incurred expenditures of \$1,379.

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**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 01, 2017	\$( 1,325,911)
Permit revenue	162,523
Related expenses	<u>169,596</u>
Current year shortfall	( <u>7,073</u> )
Cumulative shortfall at June 30, 2018	\$( <u>1,332,984</u> )

**NOTE 3 - DEPOSITS:**

As of June 30, 2018, the carrying amount of the deposits 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	<u>7,743,064</u>	<u>37,873</u>	<u>425,014</u>	<u>8,205,951</u>
	<u>\$ 7,743,514</u>	<u>\$ 37,873</u>	<u>\$ 425,014</u>	<u>\$ 8,206,401</u>

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 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, 2018 the bank balance of the Township's deposits was \$8,254,745, of which \$3,634,894 was insured and the remaining \$4,619,851 was uninsured and uncollateralized.

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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 2018 had a taxable value of \$442,374,871. The millage rates levied by the Township was 0.5476 mills for operating purposes, 4.3500 mills for police services, and 1.6225 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, 2018 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Special assessments	\$ 9,230	\$ 104,857
Accounts	25,090	679,130
Due from other governmental units	454,972	-
Due from fiduciary funds	<u>2,465</u>	<u>-</u>
	<u>\$ 491,757</u>	<u>\$ 783,987</u>

**NOTE 6 - PAYABLES:**

Payables in the governmental and business-type activities at June 30, 2018 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts payable	\$ 70,628	\$ 4,350
Accrued wages and fringe benefits	121,268	13,592
Due to other governmental units	<u>48,989</u>	<u>155,084</u>
	<u>\$ 240,885</u>	<u>\$ 173,026</u>

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7 - INTERFUND RECEIVABLE, PAYABLE, AND TRANSFERS:**

The composition of interfund balances as of June 30, 2018 is as follows:

**Due From/To Other Funds -**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Tax Fund	\$ <u>2,465</u> (1)

**Due From/To Primary Government and Component Units -**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Downtown Development Authority Fund	General Fund	\$ <u>48,749</u> (2)
Parks and Recreation Fund	Downtown Development Authority Fund	\$ <u>5,000</u> (2)

**Transfers In/Out -**

<u>Receiving Fund</u>	<u>Expending Fund</u>	<u>Amount</u>
Colony Road Assessment Fund	General Fund	\$ 51,751 (3)
Oaklawn Cemetery Fund	Cemetery Perpetual Care Fund	<u>643</u> (4)
		\$ <u>52,394</u>

- (1) Amount owed for undistributed taxes/interest
- (2) To reclassify for items deposited into the incorrect fund
- (3) Annual appropriation
- (4) Allocation of interest



**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 - CAPITAL ASSETS:**

**Primary Government**

Capital asset activity of the Township for the year ended June 30, 2018 was as follows:

	Balance July 01, 2017	Additions	Adjustments/ Deletions	Balance June 30, 2018
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 802,501	\$ -	\$ -	\$ 802,501
Capital assets, being depreciated:				
Infrastructure	2,221,379	60,136	-	2,281,515
Buildings and improvements	5,065,498	13,819	8,200	5,071,117
Land improvements	83,425	-	-	83,425
Vehicles and equipment	4,432,302	203,403	709,367	3,926,338
Furniture and fixtures	90,300	-	-	90,300
Total capital assets being depreciated	<u>11,892,904</u>	<u>277,358</u>	<u>717,567</u>	<u>11,452,695</u>
Accumulated depreciation for:				
Infrastructure	1,074,937	101,576	-	1,176,513
Buildings and improvements	2,796,676	127,140	6,970	2,916,846
Land improvements	2,086	2,086	-	4,172
Vehicles and equipment	3,695,383	202,088	686,926	3,210,545
Furniture and fixtures	66,563	4,078	-	70,641
Total accumulated depreciation	<u>7,635,645</u>	<u>436,968</u>	<u>693,896</u>	<u>7,378,717</u>
Total capital assets being depreciated, net	<u>4,257,259</u>	<u>( 159,610)</u>	<u>23,671</u>	<u>4,073,978</u>
Governmental activities capital assets, net	<u>\$ 5,059,760</u>	<u>\$( 159,610)</u>	<u>\$ 23,671</u>	<u>\$ 4,876,479</u>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 150,617	\$ 10,033	\$ -	\$ 160,650
Construction in progress	-	47,704	-	47,704
Total capital assets, not being depreciated	<u>150,617</u>	<u>57,737</u>	<u>-</u>	<u>208,354</u>
Capital assets, being depreciated:				
Underground mains	22,898,208	-	-	22,898,208
Buildings and improvements	507,950	-	-	507,950
Vehicles and equipment	471,211	24,168	22,186	473,193
Sewage treatment plant	5,328,495	-	-	5,328,495
Total capital assets, being depreciated	<u>29,205,864</u>	<u>24,168</u>	<u>22,186</u>	<u>29,207,846</u>
Less - Accumulated depreciation for:				
Underground mains	13,622,401	436,524	-	14,058,925
Buildings and improvements	253,975	10,159	-	264,134
Vehicles and equipment	437,761	5,708	22,186	421,283
Sewage treatment plant	3,236,515	106,738	-	3,343,253
Total accumulated depreciation	<u>17,550,652</u>	<u>559,129</u>	<u>22,186</u>	<u>18,087,595</u>
Total capital assets, being depreciated, net	<u>11,655,212</u>	<u>( 534,961)</u>	<u>-</u>	<u>11,120,251</u>
Business-type activities capital assets, net	<u>\$ 11,805,829</u>	<u>\$( 477,224)</u>	<u>\$ -</u>	<u>\$ 11,328,605</u>

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

<b>Governmental Activities:</b>		
General Government	\$	46,127
Public Safety		250,192
Public Works		50,524
Recreation and Culture		<u>90,125</u>
Total depreciation expense-governmental activities	\$	<u>436,968</u>
<b>Business-type Activities:</b>		
Water Fund	\$	250,032
Sewer Fund		<u>309,097</u>
Total depreciation expense-business-type activities	\$	<u>559,129</u>

Amortization related to the prepaid service contract for the period ending June 30, 2018 was \$177,914.

**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, 2018:

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>							
2014 Refunding Bonds							
Amount of issue: \$310,000		\$ 50,000 -					
Maturity through 2020	2.00%	55,000	\$ 155,000	\$ -	\$ 55,000	\$ 100,000	\$ 50,000
Compensated absences			<u>21,922</u>	<u>1,552</u>	<u>-</u>	<u>23,474</u>	<u>-</u>
Total Governmental Activities			<u>176,922</u>	<u>1,552</u>	<u>55,000</u>	<u>123,474</u>	<u>50,000</u>
<b>Business-type Activities:</b>							
<b>Water Fund</b>							
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		300,000 -					
Maturity through 2020	2.50%	306,625	897,250	-	290,625	606,625	300,000
2014 Refunding Bonds							
Amount of issue: \$2,610,000	2.00% -	195,000 -					
Maturity through 2023	2.50%	465,000	<u>2,015,000</u>	<u>-</u>	<u>195,000</u>	<u>1,820,000</u>	<u>195,000</u>
Total Water Fund			<u>2,912,250</u>	<u>-</u>	<u>485,625</u>	<u>2,426,625</u>	<u>495,000</u>

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

	Interest Rate Ranges	Principal Maturity Ranges	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
<b>Sewer Fund</b>							
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		5,250 -					
Maturity through 2034	2.50%	5,607	\$ 93,106	\$ -	\$ 3,499*	\$ 89,607	\$ 5,250
Total Business-type Activities			<u>3,005,356</u>	<u>-</u>	<u>489,124</u>	<u>2,516,232</u>	<u>500,250</u>
Total Primary Government			<u>\$3,182,278</u>	<u>\$ 1,552</u>	<u>\$ 544,124</u>	<u>\$ 2,639,706</u>	<u>\$ 550,250</u>

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

During fiscal 2015, the Township advance 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, 2018, the bonds that were considered defeased had outstanding balances of \$140,000 for the 2000 (LTGO) Special Assessment Colony Road Bonds and \$975,000 for the 2001 Water Supply System No. II-A Bonds.

**Annual Debt Requirements:**

The annual requirements to pay the debt outstanding at June 30, 2018 for the following notes and bonds (excluding compensated absences) of the Primary Government are as follows:

Year Ending June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
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	-	-	-	470,250	7,463	477,713
2024-2028	-	-	-	26,250	6,279	32,529
2029-2033	-	-	-	26,250	2,998	29,248
2034-2035	-	-	-	10,857	276	11,133
Total	<u>\$ 100,000</u>	<u>\$ 2,000</u>	<u>\$ 102,000</u>	<u>\$ 2,516,232</u>	<u>\$ 155,707</u>	<u>\$ 2,671,939</u>

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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](http://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 when 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, 2017 was comprised of 34 active participants, 29 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 25 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, 2018 was 8.00%-37.65% of covered payroll. At June 30, 2018, \$30,034 was payable to the Plan relating to June 2018 contributions.

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**Net Pension Liability -**

The net pension liability of the Township has been measured as of December 31, 2017 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	\$ 9,528,599	\$ 5,857,835	\$ 3,670,764
Service cost	214,739	-	214,739
Interest on total pension liability	749,717	-	749,717
Net investment income	-	771,387	( 771,387)
Change in benefits	( 6,222)	-	( 6,222)
Difference between expected and actual experience	( 51,042)	-	( 51,042)
Contributions from employer	-	329,603	( 329,603)
Contributions from employees	-	111,888	( 111,888)
Benefit payments	( 529,013)	( 529,013)	-
Administrative costs	-	( 12,208)	12,208
Other charges	( 3,012)	-	( 3,012)
Ending balance	<u>\$ 9,903,766</u>	<u>\$ 6,529,492</u>	<u>\$ 3,374,274</u>

Plan fiduciary net position as a percentage of the total pension liability 65.93%

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

For the year ended June 30, 2018, the Township recognized pension expense of \$373,084 in the government-wide and proprietary fund financial statements of the primary government. At June 30, 2018, 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>
Net difference between projected and actual earnings on Plan investments	\$ -	\$ 128,208
Contributions made subsequent to the measurement date	187,720	-
Difference between expected and actual experience	17,491	78,497
Changes in assumptions	<u>84,994</u>	<u>-</u>
	<u>\$ 290,205</u>	<u>\$ 206,705</u>

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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:

2019	\$	93,388
2020	(	25,102)
2021	(	110,988)
2022	(	<u>61,518</u> )
	<u>\$(</u>	<u>104,220)</u>

**Actuarial Assumptions -**

The total pension liability was determined by an actuarial valuation as of December 31, 2017. The valuation used the following actuarial assumptions based on the most recent study of plan experience covering the period from January 1, 2009 through December 31, 2013.

**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, 2018**

**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, 2017 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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 one-percentage-point lower (7.00 percent) or one-percentage-point higher (9.00 percent) than the current rate.

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1 % Increase (9.00%)</u>
Net Pension Liability of the Primary Government	\$ 4,506,479	\$ 3,374,274	\$ 2,414,748

**NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS:**

**Plan Description/Benefit -**

The Township of Clay, Michigan, administers the Township Retiree Health Plan (the "OPEB Plan"), a single-employer defined benefit other postemployment benefit (OPEB) plan that provides postemployment benefits other than pensions (health insurance) to the following eligible retirees with 20 or more years of service and age 55 or 30 years of continuous service for Water and Sewer employees:

- Police patrol unit employees hired prior to January 1, 2011.
- Police command unit and Police Chief employees, regardless of the date of hire. Retirees contribute \$300 annually for coverage and an additional \$300 for spousal coverage.
- Police dispatch employees hired prior to October 22, 2010. Retirees contribute \$500 annually for coverage and an additional \$500 for spousal coverage.
- Water/Sewer/DPW employees hired prior to July 1, 2010. Retirees contribute \$800 annually for coverage and an additional \$800 for spousal coverage.
- Elected officials and Assessing employees, regardless of the date of hire. Retirees contribute \$300 annually for coverage and an additional \$300 for spousal coverage.

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

Management of the OPEB Plan is provided by the Township Board, which consists of 7 members. The OPEB Plan does not issue a publicly available financial report, as it is audited within the financial report of the Township.

**Summary of Significant Accounting Policies -**

For purposes of measuring net OPEB liability, deferred outflows of resources, deferred inflows of resources related to OPEB, and OPEB expense, the fiduciary net position of the OPEB Plan and additions to/deductions from fiduciary net position have been determined as the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**OPEB Plan Membership -**

At June 30, 2018, OPEB Plan membership consisted of 16 active members and 10 inactive members or beneficiaries receiving benefits.

**Contributions -**

During the year ended June 30, 2018, annually determined contributions were \$249,846 and actual contributions of \$187,251 were made. The valuation, dated June 30, 2018, determined a required contribution of 20.6% of covered payroll.

The contributions of OPEB Plan members and the Township are established and may be amended by the Township Board. Most administrative costs consist of processing retiree health insurance payments of the OPEB Plan and are paid with Township resources.

**Investment Policy -**

The OPEB Plan's policy in regard to the allocation of invested assets is established and may be amended by the Township Board by a majority vote of its members.

The long-term expected rate of return on the OPEB Plan's investments was determined using a forward-looking estimate of capital market returns model for each investment's 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 and investment expenses. The adopted asset allocation policy and the best estimates of arithmetic real rates of return for each asset class as of June 30, 2018 are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return Before Inflation</u>
Global Equity	55.50 %	4.80 %
Global Fixed Income	18.50	0.70
Real Assets	13.50	1.31
Diversifying Strategies	<u>12.50</u>	<u>0.94</u>
Total	<u>100.00 %</u>	<u>7.75 %</u>



**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**Methods and Assumptions -**

The total OPEB liability was determined by a valuation done at June 30, 2018 using the alternative method. The assumptions used in the valuation were based on the results of an experience study for the period July 1, 2013 through June 30, 2018. The valuation used the following assumptions included in the measurement:

Retirement Age of Active Employees - Based on the required retirement age for the covered group, active plan members were assumed to retire at age 55 with 20 years of service or after 30 continuous years of service for the water and sewer departments.

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](http://www.cdc.gov)). The most recent data are the life tables for males and females, 2014 version (Tables 2 and 3 from the National Vital Statistics Report, Vol. 66, No. 4 dated August 14, 2017).

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 standards set by Michigan Public Act 202. Non-Medicare rates were estimated at 8.50 percent for 2020, decreasing by 0.25 percent every year to an ultimate trend rate of 4.50 percent in 2036 and the years thereafter. Medicare rates were estimated at 7.00 percent for 2020, decreasing by 0.25 percent every year to an ultimate trend rate of 4.50 percent in 2030 and the years thereafter.

Health Insurance Premiums - 2019 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 3.50 percent was based on standards set by Michigan Public Act 202.

Discount Rate - A discount rate of 5.50% was used.

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**Net OPEB Liability of the Township -**

The net OPEB liability of the Township has been measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an alternative method valuation as of that date and is composed of the following:

	<u>Total OPEB Liability</u>	<u>OPEB Plan's Net Position</u>	<u>Net OPEB Liability</u>
Beginning Balance	\$ 5,215,647	\$ 2,649,729	\$ 2,565,918
Service cost	122,918	-	122,918
Interest on net OPEB liability	290,019	-	290,019
Net investment income	-	166,218	( 166,218)
Expected and actual differences	( 740)	-	( 740)
Contributions from employer	-	187,251	( 187,251)
Benefit payments	( 130,984)	( 130,984)	-
Ending Balance	<u>\$ 5,496,860</u>	<u>\$ 2,872,214</u>	<u>\$ 2,624,646</u>

OPEB Plan fiduciary net position as a percentage of total OPEB liability 52.30%

**OPEB Expense and Deferred Inflows of Resources Related to OPEB -**

For the year ended June 30, 2018, the Township recognized OPEB expenses of \$74,456 for the OPEB Plan in the government-wide and proprietary fund financial statements of the primary government. At June 30, 2018, the Township reported deferred inflows of resources related to OPEB from the following sources:

Net difference between projected and actual earnings on OPEB Plan investments	\$ 15,149
Difference between expected and actual experience	<u>579</u>
	<u>\$ 15,728</u>

The amounts of deferred inflows of resources related to OPEB (excluding contributions) will be recognized in OPEB expense as follows:

2019	\$ 3,948
2020	3,948
2021	3,948
2022	<u>3,884</u>
	<u>\$ 15,728</u>

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

The following presents the net OPEB liability of the Township, calculated using the discount rate of 5.50% as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (4.50%) or one-percentage-point higher (6.50%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ 3,291,326	\$ 2,624,646	\$ 2,052,065

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

The following presents the net OPEB liability of the Township, calculated using the healthcare cost trend rate of 8.50%, decreasing by 0.25% to an ultimate trend rate of 4.50% for Non-Medicare rates, and a healthcare cost trend rate of 7.00%, decreasing by 0.25% to an ultimate trend rate of 4.50% for Medicare rates, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage-point lower (7.50/6.00-3.50%) or one-percentage-point higher (9.50/8.00-5.50%) than the current rate.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 1,973,326	\$ 2,624,646	\$ 3,396,362

**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 (the "City") 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. 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 35.00%. The amended agreement was signed January 29, 2003 and extends for 40 years.

**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 from August 1, 2016 to August 1, 2019 the contract amount of \$171,779, \$176,922, and \$182,262, respectively, per year. 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.

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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, 2018 was \$723,763. The Township also has \$386,606 of restricted funds for the Colony Capital Construction project at June 30, 2018. In addition, there was \$290,808 for Water Debt Retirement.

**NOTE 16 - RESTRICTED NET POSITION:**

The net position has been restricted in the entity-wide statement of net position at June 30, 2018 for the following purposes:

**Governmental Activities:**

Cemetery Perpetual Care Fund - Nonspendable Funds		\$ 68,600
General Government - Phragmites Fund		<u>9,848</u>
Public Safety - Fire Fund		183,522
Police Fund	\$ 422,953	
Pension and OPEB Liability	<u>( 422,953)</u>	-
Drug Enforcement Fund		31,580
Drug Forfeiture Fund		<u>3,040</u>
		<u>218,142</u>
Public Works - Rubbish Collection Fund		274,707
Oaklawn Cemetery Fund		15,356
Road/Canal Maintenance Fund		87,054
Cemetery Perpetual Care		<u>96</u>
		<u>377,213</u>
Recreational and Cultural - Parks and Recreation Fund		<u>33,795</u>
Total Restricted Net Position - Governmental Activities		<u>707,598</u>

**Business-type Activities:**

Water Fund - Equipment Replacement Reserves		1,066,644
Debt Service		<u>290,808</u>
Total Restricted Net Position - Business-type Activities		<u>1,357,452</u>
Total Restricted Net Position		<u>\$ 2,065,050</u>

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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.

**NOTE 18 - SUBSEQUENT EVENT:**

During July 2018, the Township signed a \$968,985 contract for the Colony Drive water main replacement project. In connection, during August 2018, the Township sold \$720,000 2018 Special Assessment Bonds (Limited Tax General Obligation) to finance the project and levied special assessments of \$720,000 to pay off the bonds.

During July 2018, the Township fire department was awarded a FEMA grant for \$104,762, which requires a cash match of \$5,238 for fire station ventilation system improvements. Also, during August 2018, the Township fire department was awarded another FEMA grant for \$490,000, which requires a cash match of \$49,000 for SCBA equipment. There is an agreement with two other fire departments, whereby Clay Township administers the grant and purchases the SCBA equipment. The other two fire departments will reimburse Clay Township their applicable grant match amounts based on the number of applicable units per contract.

**NOTE 19 - CHANGE IN ACCOUNTING PRINCIPLE:**

During the year, the Township adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement requires the net OPEB liability and related deferred outflows of resources and deferred inflows of resources for the Township be reported on the statement of net position and within the note disclosures. The effect of implementing this statement decreased net position at June 30, 2017 of governmental activities by \$605,530 and increased net position in the business-type activities by \$286,040 (\$149,614 for the Water Fund and \$136,426 for the Sewer Fund).

## **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, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 415,067	\$ 415,067	\$ 409,650	\$ ( 5,417)
Licenses and permits	233,334	233,334	255,411	22,077
Intergovernmental	735,780	735,780	786,990	51,210
Charges for services	39,500	39,500	48,533	9,033
Interest and rent	2,460	2,460	11,925	9,465
Other	83,366	83,366	92,168	8,802
Total Revenues	<u>1,509,507</u>	<u>1,509,507</u>	<u>1,604,677</u>	<u>95,170</u>
<b>Expenditures:</b>				
General Government -				
Legislative	23,574	23,574	21,091	2,483
Supervisor	93,128	93,128	86,789	6,339
Elections	36,262	36,262	23,793	12,469
Assessor	190,142	190,142	171,933	18,209
Clerk	107,981	107,981	102,055	5,926
Board of review	5,238	5,238	2,634	2,604
Treasurer	87,098	87,098	72,933	14,165
Township hall	414,835	414,835	551,384	( 136,549)
	<u>958,258</u>	<u>958,258</u>	<u>1,032,612</u>	<u>( 74,354)</u>
Public Safety -				
Inspections	162,091	162,091	169,596	( 7,505)
Public Works -				
Drains at large	10,708	10,708	11,541	( 833)
Road maintenance and construction	245,000	245,000	112,419	132,581
	<u>255,708</u>	<u>255,708</u>	<u>123,960</u>	<u>131,748</u>
Community and Economic Development -				
Planning commission	37,595	37,595	32,005	5,590
Zoning	32,431	32,431	24,889	7,542
	<u>70,026</u>	<u>70,026</u>	<u>56,894</u>	<u>13,132</u>
Recreation and Cultural -				
Community	13,500	13,500	3,500	10,000
Library board	5,453	5,453	5,723	( 270)
	<u>18,953</u>	<u>18,953</u>	<u>9,223</u>	<u>9,730</u>
Total Expenditures	<u>1,465,036</u>	<u>1,465,036</u>	<u>1,392,285</u>	<u>72,751</u>
Revenues over expenditures	<u>44,471</u>	<u>44,471</u>	<u>212,392</u>	<u>167,921</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, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Other Financing Uses:</b>				
Transfers to other funds	<u>\$ ( 25,000)</u>	<u>\$ ( 25,000)</u>	<u>\$ ( 51,751)</u>	<u>\$ ( 26,751)</u>
Net Change in Fund Balance	19,471	19,471	160,641	141,170
Fund Balance at beginning of year	<u>2,443,525</u>	<u>2,443,525</u>	<u>2,443,525</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 2,462,996</u></u>	<u><u>\$ 2,462,996</u></u>	<u><u>\$ 2,604,166</u></u>	<u><u>\$ 141,170</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, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 702,931	\$ 702,931	\$ 702,448	\$( 483)
Intergovernmental	71,000	71,000	87,138	16,138
Charges for services	10,000	10,000	2,615	( 7,385)
Interest	1,000	1,000	878	( 122)
Other	20,000	20,000	15,794	( 4,206)
	<u>804,931</u>	<u>804,931</u>	<u>808,873</u>	<u>3,942</u>
<b>Expenditures:</b>				
Public Safety -				
Salaries and fringes	462,356	462,356	501,448	( 39,092)
Other current services	384,949	384,949	302,463	82,486
	<u>847,305</u>	<u>847,305</u>	<u>803,911</u>	<u>43,394</u>
Revenues over (under) expenditures	( 42,374)	( 42,374)	4,962	47,336
Fund Balance at beginning of year	<u>178,560</u>	<u>178,560</u>	<u>178,560</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 136,186</u>	<u>\$ 136,186</u>	<u>\$ 183,522</u>	<u>\$ 47,336</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, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 1,881,691	\$ 1,881,691	\$ 1,880,415	\$( 1,276)
Intergovernmental	78,700	78,700	267,447	188,747
Charges for services	237,463	237,463	239,163	1,700
Fines and forfeitures	14,200	14,200	20,295	6,095
Interest	100	100	5,082	4,982
Other revenues	2,000	2,000	37,502	35,502
	<u>2,214,154</u>	<u>2,214,154</u>	<u>2,449,904</u>	<u>235,750</u>
<b>Expenditures:</b>				
Public Safety -				
Salaries and fringes	1,946,330	1,946,330	2,196,172	( 249,842)
Legal fees	16,500	16,500	15,913	587
Insurance	21,413	21,413	21,470	( 57)
Facility	28,050	28,050	23,137	4,913
Repairs and maintenance	51,050	51,050	48,345	2,705
Other	141,598	141,598	127,322	14,276
Capital outlay	104,000	104,000	155,015	( 51,015)
	<u>2,308,941</u>	<u>2,308,941</u>	<u>2,587,374</u>	<u>( 278,433)</u>
Revenues under expenditures	( 94,787)	( 94,787)	( 137,470)	( 42,683)
Fund Balance at beginning of year	<u>560,423</u>	<u>560,423</u>	<u>560,423</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 465,636</u>	<u>\$ 465,636</u>	<u>\$ 422,953</u>	<u>\$( 42,683)</u>

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**EMPLOYEES RETIREMENT SYSTEM**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**PLAN FISCAL YEARS**

	For the Year Ended December 31,			
	2017	2016	2015	2014
<b>Total Pension Liability:</b>				
Service cost	\$ 214,739	\$ 213,198	\$ 222,469	\$ 200,818
Interest	749,717	720,826	674,129	640,859
Change in benefits	( 6,222)	( 303)	1,351	-
Differences between expected and actual experience	( 51,042)	( 80,429)	69,961	-
Change in assumptions	-	-	326,591	-
Benefit payments, including refunds	( 529,013)	( 456,844)	( 444,769)	( 453,675)
Other changes	( 3,012)	-	-	-
Change in total pension liability	375,167	396,448	849,732	388,002
Total pension liability, beginning of year	9,528,599	9,132,151	8,282,419	7,894,417
Total pension liability, end of year	<u>\$ 9,903,766</u>	<u>\$ 9,528,599</u>	<u>\$ 9,132,151</u>	<u>\$ 8,282,419</u>
<b>Plan Fiduciary Net Position:</b>				
Contributions - Employer	\$ 329,603	\$ 279,425	\$ 286,312	\$ 226,575
Contributions - Member	111,888	115,793	111,205	111,027
Net investment income	771,387	606,499	( 82,107)	330,716
Benefit payments, including refunds	( 529,013)	( 456,844)	( 444,769)	( 453,675)
Administrative expenses	( 12,208)	( 11,970)	( 11,977)	( 12,146)
Net change in plan fiduciary net position	671,657	532,903	( 141,336)	202,497
Plan fiduciary net position, beginning of year	5,857,835	5,324,932	5,466,268	5,263,771
Plan fiduciary net position, end of year	<u>\$ 6,529,492</u>	<u>\$ 5,857,835</u>	<u>\$ 5,324,932</u>	<u>\$ 5,466,268</u>
<b>Township's Net Pension Liability - Ending</b>	<u>\$ 3,374,274</u>	<u>\$ 3,670,764</u>	<u>\$ 3,807,219</u>	<u>\$ 2,816,151</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	65.93%	61.48%	58.31%	66.00%
<b>Covered Employee Payroll</b>	\$ 1,845,779	\$ 1,797,413	\$ 1,827,020	\$ 1,673,664
<b>Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	182.8%	204.2%	208.4%	168.3%

GASB No. 68 was implemented for fiscal year ended June 30, 2015. These schedules are being built prospectively. Ultimately 10 years of data will be presented.

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**EMPLOYEES RETIREMENT SYSTEM**  
**SCHEDULE OF CONTRIBUTIONS**  
**LAST TEN FISCAL YEARS**

	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 373,084	\$ 373,084	\$ -	\$ 1,696,652	21.99%
2017	296,081	296,081	-	1,793,858	16.51%
2016	266,028	266,028	-	1,710,936	15.55%
2015	273,386	273,386	-	1,627,468	16.80%
2014	203,058	203,058	-	1,699,159	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. These schedules are being built prospectively. Ultimately 10 years of data will be presented.

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**RETIREE HEALTH BENEFITS**  
**SCHEDULE OF INVESTMENT RETURNS**  
**LAST TEN FISCAL YEARS**

	<u>2018</u>
Annual money-weighted rate of return, net of investment expenses	7.68%

GASB No. 75 was implemented for fiscal year ended June 30, 2018. These schedules are being built prospectively. Ultimately 10 years of data will be presented.

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**RETIREE HEALTH BENEFITS**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**PLAN FISCAL YEARS**

	<u>2018</u>
<b>Total OPEB Liability:</b>	
Service Cost	\$ 122,918
Interest	290,019
Differences between expected and actual experience	( 740)
Benefit payments, including refunds	<u>( 130,984)</u>
Change in total OPEB liability	281,213
Total OPEB liability, beginning of year	<u>5,215,647</u>
Total OPEB liability, end of year	<u><u>\$ 5,496,860</u></u>
<b>Plan Fiduciary Net Position:</b>	
Contributions to OPEB trust	\$ 187,251
Net investment income	166,218
Benefit payments, including refunds	<u>( 130,984)</u>
Net change in plan fiduciary net position	222,485
Plan fiduciary net position, beginning of year	<u>2,649,729</u>
Plan fiduciary net position, end of year	<u><u>\$ 2,872,214</u></u>
<b>Township's Net OPEB Liability - Ending</b>	<u><u>\$ 2,624,646</u></u>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	52.3%
<b>Covered Employee Payroll</b>	\$ 1,208,375
<b>Township's Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	217.2%

GASB No. 75 was implemented for fiscal year ended June 30, 2018. These schedules are being built prospectively. Ultimately 10 years will be presented.

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**RETIREE HEALTH BENEFITS**  
**SCHEDULE OF CONTRIBUTIONS**  
**LAST TEN FISCAL YEARS**

	<u>Annual Determined Contribution</u>	<u>Contributions in Relation to the Annual Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2018	\$ 249,846	\$ 187,251	\$ 62,595	\$ 1,208,375	15.50%

**Valuation Date:** June 30, 2018

**Methods and Assumptions Used to Determine Contribution Rates:**

Simplified Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	30 years, Open
Salary Increases	3.50%
Investment Rate of Return	5.50%
Years of Service	25 years of continuous service, or 30 years of non-continuous service with the Village
Mortality	National Center for Health Statistics 2014 version (Tables 2 and 3 from the National Vital Statistics Report, Vol.66 No. 7 dated August 14, 2017)
Health Care Trend Rates	Initial trend of 8.5% in 2020, decreasing by 0.25% to an ultimate trend rate of 4.5% in 2036 and for years thereafter for Non-Medicare rates. Initial trend of 7.0% in 2020, decreasing by 0.25% to an ultimate trend rate of 4.5% in 2030 and for years thereafter for Medicare rates.

GASB No. 75 was implemented for fiscal year ended June 30, 2018 and does not require retroactive implementation.

## **SUPPLEMENTARY INFORMATION**



**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2018**

	Special Revenue Funds				
	Rubbish Collection	Drug Enforcement	Drug Forfeiture	Oaklawn Cemetery	Special Lighting
<b>Assets:</b>					
Cash and investments	\$ 293,326	\$ 29,141	\$ 3,040	\$ 16,717	\$ -
Receivables -					
Special assessments	-	-	-	-	-
Other	-	2,439	-	-	-
Due from other governmental units	-	-	-	-	-
Due from component unit	-	-	-	-	-
Total Assets	<u>\$ 293,326</u>	<u>\$ 31,580</u>	<u>\$ 3,040</u>	<u>\$ 16,717</u>	<u>\$ -</u>
<b>Liabilities:</b>					
Accounts payable	\$ 17,973	\$ -	\$ -	\$ 22	\$ -
Accrued liabilities	646	-	-	1,339	-
Advances and deposits	-	-	-	-	-
Total Liabilities	<u>18,619</u>	<u>-</u>	<u>-</u>	<u>1,361</u>	<u>-</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue -					
Special assessments	-	-	-	-	-
<b>Fund Balance:</b>					
Nonspendable for -					
Perpetual care	-	-	-	-	-
Restricted	274,707	31,580	3,040	15,356	-
	<u>274,707</u>	<u>31,580</u>	<u>3,040</u>	<u>15,356</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 293,326</u>	<u>\$ 31,580</u>	<u>\$ 3,040</u>	<u>\$ 16,717</u>	<u>\$ -</u>

			Permanent Fund Cemetery Perpetual Care	Debt Service Fund Colony Road Assessment	
Road/Canal Maintenance	Parks and Recreation	Phragmites Program			Total
\$ 87,054	\$ 532	\$ 9,848	\$ 68,696	\$ -	\$ 508,354
-	-	-	-	9,230	9,230
-	-	-	-	-	2,439
-	39,817	-	-	-	39,817
-	5,000	-	-	-	5,000
<u>\$ 87,054</u>	<u>\$ 45,349</u>	<u>\$ 9,848</u>	<u>\$ 68,696</u>	<u>\$ 9,230</u>	<u>\$ 564,840</u>
\$ -	\$ 575	\$ -	\$ -	\$ -	\$ 18,570
-	1,445	-	-	-	3,430
-	9,534	-	-	-	9,534
<u>-</u>	<u>11,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,534</u>
-	-	-	-	9,230	9,230
-	-	-	68,600	-	68,600
87,054	33,795	9,848	96	-	455,476
<u>87,054</u>	<u>33,795</u>	<u>9,848</u>	<u>68,696</u>	<u>-</u>	<u>524,076</u>
<u>\$ 87,054</u>	<u>\$ 45,349</u>	<u>\$ 9,848</u>	<u>\$ 68,696</u>	<u>\$ 9,230</u>	<u>\$ 564,840</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, 2018**

Special Revenue Funds

	Rubbish Collection	Drug Enforcement	Drug Forfeiture	Oaklawn Cemetery	Special Lighting
<b>Revenues:</b>					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	28,811	-
Special assessments	869,117	-	-	-	-
Interest and rent	-	-	6	691	-
Other	1,250	14,344	-	-	-
Total Revenues	<u>870,367</u>	<u>14,344</u>	<u>6</u>	<u>29,502</u>	<u>-</u>
<b>Expenditures:</b>					
Current -					
General Government	-	-	-	-	-
Public Safety	-	15,790	-	-	-
Public Works	867,870	-	-	42,531	1,379
Recreation and Cultural	-	-	-	-	-
Debit Service					
Principal	-	-	-	-	-
Interest and Charges	-	-	-	-	-
Total Expenditures	<u>867,870</u>	<u>15,790</u>	<u>-</u>	<u>42,531</u>	<u>1,379</u>
Revenues over (under) expenditures	<u>2,497</u>	<u>( 1,446)</u>	<u>6</u>	<u>( 13,029)</u>	<u>( 1,379)</u>
<b>Other Financing Sources:</b>					
Transfers from other funds	-	-	-	643	-
Transfers to other funds	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>643</u>	<u>-</u>
Net Change in Fund Balances	2,497	( 1,446)	6	( 12,386)	( 1,379)
Fund Balances at beginning of year	<u>272,210</u>	<u>33,026</u>	<u>3,034</u>	<u>27,742</u>	<u>1,379</u>
Fund Balances at end of year	<u>\$ 274,707</u>	<u>\$ 31,580</u>	<u>\$ 3,040</u>	<u>\$ 15,356</u>	<u>\$ -</u>

			Permanent Fund	Debt Service Fund	
Road/Canal Maintenance	Parks and Recreation	Phragmites Program	Cemetery Perpetual Care	Colony Road Assessment	Total
\$ -	\$ 50,512	\$ -	\$ -	\$ -	\$ 50,512
-	15,174	-	2,300	-	46,285
34,170	-	-	-	4,869	908,156
-	1,850	-	632	930	4,109
-	8,261	2,625	-	-	26,480
<u>34,170</u>	<u>75,797</u>	<u>2,625</u>	<u>2,932</u>	<u>5,799</u>	<u>1,035,542</u>
-	-	2,112	-	-	2,112
-	-	-	-	-	15,790
49,910	-	-	-	-	961,690
-	110,253	-	-	-	110,253
-	-	-	-	55,000	55,000
-	-	-	-	2,550	2,550
<u>49,910</u>	<u>110,253</u>	<u>2,112</u>	<u>-</u>	<u>57,550</u>	<u>1,147,395</u>
<u>( 15,740)</u>	<u>( 34,456)</u>	<u>513</u>	<u>2,932</u>	<u>( 51,751)</u>	<u>( 111,853)</u>
-	-	-	-	51,751	52,394
-	-	-	( 643)	-	( 643)
-	-	-	( 643)	51,751	51,751
( 15,740)	( 34,456)	513	2,289	-	( 60,102)
<u>102,794</u>	<u>68,251</u>	<u>9,335</u>	<u>66,407</u>	<u>-</u>	<u>584,178</u>
<u>\$ 87,054</u>	<u>\$ 33,795</u>	<u>\$ 9,848</u>	<u>\$ 68,696</u>	<u>\$ -</u>	<u>\$ 524,076</u>

**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, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Special assessments	\$ 886,487	\$ 886,487	\$ 869,117	\$( 17,370)
Other	-	-	1,250	1,250
	<u>886,487</u>	<u>886,487</u>	<u>870,367</u>	<u>( 16,120)</u>
<b>Expenditures:</b>				
Public Works	<u>886,487</u>	<u>886,487</u>	<u>867,870</u>	<u>18,617</u>
Revenues over expenditures	-	-	2,497	2,497
Fund Balance at beginning of year	<u>272,210</u>	<u>272,210</u>	<u>272,210</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 272,210</u></u>	<u><u>\$ 272,210</u></u>	<u><u>\$ 274,707</u></u>	<u><u>\$ 2,497</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, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Other	\$ -	\$ -	\$ 14,344	\$ 14,344
<b>Expenditures:</b>				
Public Safety	29,867	29,867	15,790	14,077
Revenues under expenditures	( 29,867)	( 29,867)	( 1,446)	28,421
Fund Balance at beginning of year	33,026	33,026	33,026	-
Fund Balance at end of year	<u>\$ 3,159</u>	<u>\$ 3,159</u>	<u>\$ 31,580</u>	<u>\$ 28,421</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, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Interest	\$ -	\$ -	\$ 6	\$ 6
<b>Expenditures:</b>				
Public Safety	2,974	2,974	-	2,974
Revenues over (under) expenditures	( 2,974)	( 2,974)	6	( 2,980)
Fund Balance at beginning of year	6,052	6,052	3,034	3,018
Fund Balance at end of year	<u>\$ 3,078</u>	<u>\$ 3,078</u>	<u>\$ 3,040</u>	<u>\$ 38</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, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Charges for services	\$ 34,000	\$ 34,000	\$ 28,811	\$( 5,189)
Interest and rent	1,260	1,260	691	( 569)
	<u>35,260</u>	<u>35,260</u>	<u>29,502</u>	<u>( 5,758)</u>
<b>Expenditures:</b>				
Public Works	<u>35,260</u>	<u>35,260</u>	<u>42,531</u>	<u>( 7,271)</u>
Revenues under expenditures	-	-	( 13,029)	( 13,029)
<b>Other Financing Sources:</b>				
Transfers from other funds	<u>-</u>	<u>-</u>	<u>643</u>	<u>643</u>
Net Change in Fund Balance	-	-	( 12,386)	( 12,386)
Fund Balance at beginning of year	<u>27,742</u>	<u>27,742</u>	<u>27,742</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 27,742</u>	<u>\$ 27,742</u>	<u>\$ 15,356</u>	<u>\$( 12,386)</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, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
<b>Expenditures:</b>				
Public Works	-	-	1,379	( 1,379)
Revenues under expenditures	-	-	( 1,379)	1,379
Fund Balance at beginning of year	1,379	1,379	1,379	-
Fund Balance at end of year	<u>\$ 1,379</u>	<u>\$ 1,379</u>	<u>\$ -</u>	<u>\$ 1,379</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, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Special assessments	\$ 37,358	\$ 37,358	\$ 34,170	\$( 3,188)
<b>Expenditures:</b>				
Public Works	37,358	37,358	49,910	( 12,552)
Revenues under expenditures	-	-	( 15,740)	( 15,740)
Fund Balance at beginning of year	102,794	102,794	102,794	-
Fund Balance at end of year	<u>\$ 102,794</u>	<u>\$ 102,794</u>	<u>\$ 87,054</u>	<u>\$( 15,740)</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, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental	\$ 38,792	\$ 38,792	\$ 50,512	\$ 11,720
Charges for services	-	-	15,174	15,174
Interest and rent	1,200	1,200	1,850	650
Other	100	100	8,261	8,161
	<u>40,092</u>	<u>40,092</u>	<u>75,797</u>	<u>35,705</u>
<b>Expenditures:</b>				
Recreation and Culture	<u>87,185</u>	<u>87,185</u>	<u>110,253</u>	<u>( 23,068)</u>
Revenues under expenditures	( 47,093)	( 47,093)	( 34,456)	12,637
Fund Balance at beginning of year	<u>68,251</u>	<u>68,251</u>	<u>68,251</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 21,158</u></u>	<u><u>\$ 21,158</u></u>	<u><u>\$ 33,795</u></u>	<u><u>\$ 12,637</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, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Other	\$ 3,200	\$ 3,200	\$ 2,625	\$( 575)
<b>Expenditures:</b>				
General Government	3,200	3,200	2,112	1,088
Revenues over expenditures	-	-	513	513
Fund Balance at beginning of year	9,335	9,335	9,335	-
Fund Balance at end of year	<u>\$ 9,335</u>	<u>\$ 9,335</u>	<u>\$ 9,848</u>	<u>\$ 513</u>

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**WATER FUNDS**  
**COMBINING SCHEDULE OF NET POSITION**  
**JUNE 30, 2018**

	Unrestricted	Restricted		
	Operating	Colony Capital Construction	Eliminations	Total
<b>Assets:</b>				
Current Assets:				
Cash and investments	\$ 2,258,933	\$ -	\$ 3,979	\$ 2,262,912
Utilities receivable	503,889	-	-	503,889
Due from other funds	3,979	-	( 3,979)	-
Inventory	106,430	-	-	106,430
Prepaid expenses	15,587	-	-	15,587
Prepaid service contracts - current portion	177,665	-	-	177,665
Total Current Assets	3,066,483	-	-	3,066,483
Restricted Assets:				
Cash and investments	911,578	390,585	( 3,979)	1,298,184
Special assessment receivable	102,993	-	-	102,993
Total Restricted Assets	1,014,571	390,585	( 3,979)	1,401,177
Capital Assets:				
Property, plant, and equipment net of accumulated depreciation	7,260,607	47,704	-	7,308,311
Other Assets:				
Special assessment receivable	1,864	-	-	1,864
Prepaid service contracts	2,767,851	-	-	2,767,851
Total Other Assets	2,769,715	-	-	2,769,715
Total Assets	14,111,376	438,289	( 3,979)	14,545,686
<b>Deferred Outflows of Resources:</b>				
Related to the pension plan	42,608	-	-	42,608
<b>Liabilities:</b>				
Current Liabilities:				
Accounts payable	72,783	-	-	72,783
Accrued expenses	10,717	-	-	10,717
Accrued interest	13,882	-	-	13,882
Current portion of long-term debt	495,000	-	-	495,000
Total Current Liabilities	592,382	-	-	592,382
Current Liabilities - (payable from restricted assets):				
Accounts payable	-	43,725	-	43,725
Due to other funds	-	3,979	( 3,979)	-
Total Current Liabilities (payable from restricted assets)	-	47,704	( 3,979)	43,725
Long-term Liabilities:				
Net OPEB obligation	498,682	-	-	498,682
Net pension liability	618,930	-	-	618,930
Long-term debt - net of current portion	1,931,625	-	-	1,931,625
Total Long-term Liabilities	3,049,237	-	-	3,049,237
Total Liabilities	3,641,619	47,704	( 3,979)	3,685,344
<b>Deferred Inflows of Resources:</b>				
Related to the pension plan	25,582	-	-	25,582
Related to the OPEB plan	2,988	-	-	2,988
	28,570	-	-	28,570
<b>Net Position:</b>				
Net Investment in capital assets	4,833,982	47,704	-	4,881,686
Restricted for:				
Equipment replacement reserves	723,763	342,881	-	1,066,644
Debt service	290,808	-	-	290,808
Unrestricted	4,635,242	-	-	4,635,242
Total Net Position	\$ 10,483,795	\$ 390,585	\$ -	\$ 10,874,380

**TOWNSHIP OF CLAY**  
**St. Clair County, Michigan**

**WATER FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Unrestricted	Restricted	
	Operating	Colony Capital Construction	Total
<b>Operating Revenues:</b>			
Charges for services - user charges	\$ 1,516,080	\$ -	\$ 1,516,080
Hydrant rental	24,500	-	24,500
Other revenue	84,172	-	84,172
Total Operating Revenues	<u>1,624,752</u>	<u>-</u>	<u>1,624,752</u>
<b>Operating Expenses:</b>			
Cost of water purchased and sewer disposal	521,218	-	521,218
Salaries and wages	238,036	-	238,036
Fringe benefits	203,096	-	203,096
Meters, tools, and supplies	64,707	-	64,707
Administration fee	37,708	-	37,708
Utilities	17,762	-	17,762
Repairs and maintenance	9,077	-	9,077
Other operating expenses	88,816	-	88,816
Depreciation and amortization	427,946	-	427,946
Total Operating Expenses	<u>1,608,366</u>	<u>-</u>	<u>1,608,366</u>
Operating Gain	<u>16,386</u>	<u>-</u>	<u>16,386</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest expense and paying agent fees	( 57,945)	-	( 57,945)
Interest income	14,182	-	14,182
Debt service fees	580,797	-	580,797
Tap fees	51,403	-	51,403
Total Non-Operating Revenues	<u>588,437</u>	<u>-</u>	<u>588,437</u>
Net Income Before Capital Contributions	604,823	-	604,823
<b>Capital Contributions</b>	<u>-</u>	<u>390,585</u>	<u>390,585</u>
Change in Net Position	604,823	390,585	995,408
Net Position at beginning of year, as restated	<u>9,878,972</u>	<u>-</u>	<u>9,878,972</u>
Net Position end of year	<u>\$ 10,483,795</u>	<u>\$ 390,585</u>	<u>\$ 10,874,380</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, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 160,671	\$ 160,671	\$ 159,724	\$( 947)
Interest	325	325	781	456
	<u>160,996</u>	<u>160,996</u>	<u>160,505</u>	<u>( 491)</u>
<b>Expenditures:</b>				
Community and Economic Development	<u>175,996</u>	<u>175,996</u>	<u>90,332</u>	<u>85,664</u>
Revenues over (under) expenditures	( 15,000)	( 15,000)	70,173	85,173
Fund Balance at beginning of year	<u>395,434</u>	<u>395,434</u>	<u>395,434</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 380,434</u></u>	<u><u>\$ 380,434</u></u>	<u><u>\$ 465,607</u></u>	<u><u>\$ 85,173</u></u>