

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

**ANNUAL FINANCIAL REPORT**  
with Supplementary Information

**FOR THE YEAR ENDED**  
**JUNE 30, 2020**

**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, 2020 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Clay, Michigan, as of June 30, 2020 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and employee retirement 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 budget schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Port Huron, Michigan  
December 15, 2020

# 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") 2020 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 \$21,382,061. This is a decrease from 2019 of \$171,407. Governmental activities comprise \$4,254,843 and business-type activities make up \$17,127,218 of the total net position. In a condensed format, the table below shows net position as of June 30, 2020 and 2019.

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
Assets:				
Current assets	\$ 3,938,609	\$ 4,504,447	\$ 4,790,295	\$ 4,393,470
Restricted assets	-	-	1,758,598	2,029,299
Noncurrent assets	5,325,952	5,039,910	14,217,462	14,698,450
	<u>9,264,561</u>	<u>9,544,357</u>	<u>20,766,355</u>	<u>21,121,219</u>
Deferred Outflows of Resources	<u>515,269</u>	<u>626,228</u>	<u>137,891</u>	<u>168,383</u>
Liabilities:				
Current liabilities	363,507	336,521	210,178	155,005
Current liabilities payable from restricted assets	-	-	150,623	392,866
Non-current liabilities	5,040,737	4,883,122	3,357,758	3,929,955
	<u>5,404,244</u>	<u>5,219,643</u>	<u>3,718,559</u>	<u>4,477,826</u>
Deferred Inflows of Resources	<u>120,743</u>	<u>147,064</u>	<u>58,469</u>	<u>62,186</u>
Net Position:				
Net investment in capital assets	5,297,098	4,951,438	9,654,758	9,463,766
Restricted	900,684	797,410	1,607,975	1,636,433
Unrestricted	<u>( 1,942,939)</u>	<u>( 944,970)</u>	<u>5,864,485</u>	<u>5,649,391</u>
Total Net Position	<u>\$ 4,254,843</u>	<u>\$ 4,803,878</u>	<u>\$ 17,127,218</u>	<u>\$ 16,749,590</u>

The Township's governmental activities experienced a net change in position of \$(549,035), primarily as a result of the purchase of property out of the General Fund. The business-type activities experienced a net change in position of \$377,628.

The following table shows the changes in net position for 2020 and 2019:

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
Revenues:				
Program revenues -				
Charges for services	\$ 1,435,177	\$ 1,546,073	\$ 3,059,647	\$ 3,761,504
Operating grants and contributions	284,366	304,949	247,649	-
Capital grants and contributions	156,568	761,675	-	145,497
General revenues -				
Property taxes	3,642,292	3,466,085	-	-
Unrestricted grants	1,010,408	948,645	-	-
Unrestricted investment income	20,625	27,157	54,132	43,863
	<u>6,549,436</u>	<u>7,054,584</u>	<u>3,361,428</u>	<u>3,950,864</u>
Program Expenses:				
General government	1,215,650	1,037,974	-	-
Public safety	4,554,876	4,392,762	-	-
Public works	1,072,834	1,083,901	-	-
Community and economic development	69,395	64,580	-	-
Recreation and cultural	185,416	186,970	-	-
Interest on long-term debt	300	1,325	-	-
Water and sewer operations	-	-	2,983,800	2,577,061
	<u>7,098,471</u>	<u>6,767,512</u>	<u>2,983,800</u>	<u>2,577,061</u>
Change in net position	<u><u>\$ ( 549,035)</u></u>	<u><u>\$ 287,072</u></u>	<u><u>\$ 377,628</u></u>	<u><u>\$ 1,373,803</u></u>

### ***Governmental Activities***

Revenues for governmental activities totaled \$6,549,436 in 2020. Of this amount, \$3,642,292 was received from taxes, which was an increase of \$176,207 from the prior year. The next largest revenue source was charges for services of \$1,435,177, a decrease of \$110,896 from 2019.

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

The Township has two business-type activities, the water and sewer operations. Total revenues, including operating contributions and interest income, were \$3,361,428 and expenses were \$2,983,800, for a change in net position of \$377,628.

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

### ***Governmental Fund***

The General Fund ended 2020 with a fund balance of \$2,176,027, with \$64,000 assigned for next year's budget and the remaining \$2,112,027 unassigned. The General Fund had a net change in fund balance of \$659,844 of revenues under expenditures.

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

- The Fire Fund had revenues over expenditures of \$166,624 with a fund balance of \$483,223 at June 30, 2020.
- The Police Fund had revenues under expenditures of \$116,992, with a fund balance of \$315,534 at June 30, 2020.



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.

The significant budget adjustments in the General Fund were as follows:

- Increase in Township Hall expenditures by \$600,000 due to anticipated purchase of several parcels of property.
- Increase in Emergency Management expenditures by \$245,000 due to anticipated flooding mitigation.
- Increase in Road Maintenance and Construction expenditures by \$45,000 due to anticipated project costs.

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:

- Intergovernmental revenue was \$37,167 less than budgeted due to receiving less in State-shared revenue.
- Other revenue was \$111,124 more than budgeted due primarily to sales to residents for flood mitigation.
- Public Safety inspection expenditures were \$45,025 under budget due to less costs incurred for dangerous building removals.

***Proprietary Funds*** - The Township has two proprietary funds, the Water and Sewer Funds. The Water Fund had an operating income of \$96,629 for the year ended June 30, 2020 and a change in net position of \$752,215. The Sewer Fund had an operating loss of \$404,795; however, if depreciation and the adjustment of pension and OPEB accruals are eliminated, the Sewer Fund would be a positive of \$77,251.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### ***Capital Assets***

The Township had \$16,830,710 invested in capital assets for its government and business-type activities (net of accumulated depreciation) as of June 30, 2020. 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 \$995,404, of which \$712,015 was in the governmental activities and \$283,389 was in the business-type activities. The governmental activities' capital expenditures included \$420,698 for the purchase of property, \$123,133 for new infrastructure, \$128,133 for police vehicles, \$5,100 for building improvements, and \$34,951 for various types of equipment and furniture. The business-type activities' capital expenditures included \$103,837 for construction of a watermain, \$107,734 for a backhoe, and \$71,818 for other equipment.

Additional information on the Township's capital assets can be found in Note 7 to the financial statements.

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

At June 30, 2020, the Township had \$1,992,606 in long-term liabilities, compared to \$2,555,483 at June 30, 2019, a decrease of \$562,877. 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 2021, the Township adopted a balanced General Fund budget and anticipates revenues of \$1,684,478 and expenditures of \$1,748,478, with the difference of \$64,000 coming from fund balance.

It is important to note that the coronavirus (COVID-19) pandemic is still a major issue throughout the world, and the cases in the State of Michigan have recently been on the increase, resulting in various restrictions on certain activities and organizations. The impact on operating costs, revenues, and any recovery from emergency funding cannot be estimated at this time; however, management will continue to monitor its effect and make adjustments to operating activities and the budget when necessary.

#### **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, 2020**

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,633,829	\$ 3,679,379	\$ 6,313,208	\$ 636,129
Investments	717,921	-	717,921	-
Receivables	503,007	946,921	1,449,928	-
Inventory	-	141,356	141,356	-
Prepaid expenses/deposits	83,852	22,639	106,491	-
Restricted assets -				
Cash and cash equivalents	-	1,435,351	1,435,351	-
Special assessment receivable	-	323,247	323,247	-
Prepaid service contracts	-	2,712,704	2,712,704	-
Capital assets (net of accumulated depreciation) -				
Assets not being depreciated	1,223,199	160,650	1,383,849	-
Assets being depreciated	4,102,753	11,344,108	15,446,861	-
Total Assets	<u>9,264,561</u>	<u>20,766,355</u>	<u>30,030,916</u>	<u>636,129</u>
<b>Deferred Outflows of Resources:</b>				
Related to the pension plan	409,640	83,903	493,543	-
Related to the OPEB plan	105,629	53,988	159,617	-
	<u>515,269</u>	<u>137,891</u>	<u>653,160</u>	<u>-</u>
<b>Liabilities:</b>				
Payables and accrued liabilities	306,679	202,187	508,866	604
Accrued interest	-	7,991	7,991	-
Advances and deposits	56,828	-	56,828	-
Liabilities payable from restricted assets	-	150,623	150,623	-
Non-current liabilities -				
Bonds/notes due within one year	9,618	540,250	549,868	-
Bond/notes due in more than one year	19,236	1,388,857	1,408,093	-
Accrued compensated absences	34,645	-	34,645	-
Net pension liability	3,641,199	745,787	4,386,986	-
Net OPEB liability	1,336,039	682,864	2,018,903	-
Total Liabilities	<u>5,404,244</u>	<u>3,718,559</u>	<u>9,122,803</u>	<u>604</u>
<b>Deferred Inflows of Resources</b>				
Related to the pension plan	10,592	2,169	12,761	-
Related to the OPEB plan	110,151	56,300	166,451	-
	<u>120,743</u>	<u>58,469</u>	<u>179,212</u>	<u>-</u>
<b>Net Position:</b>				
Net investment in capital assets	5,297,098	9,654,758	14,951,856	-
Restricted -				
Perpetual care - Nonexpendable	73,000	-	73,000	-
General government	10,875	-	10,875	-
Public safety	484,922	-	484,922	-
Public works	306,037	-	306,037	-
Recreation and culture	25,832	-	25,832	-
Capital improvements	-	798,443	798,443	-
Debt service	18	809,532	809,550	-
Unrestricted (Deficit)	( 1,942,939)	5,864,485	3,921,546	635,525
Total Net Position	<u>\$ 4,254,843</u>	<u>\$ 17,127,218</u>	<u>\$ 21,382,061</u>	<u>\$ 635,525</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, 2020**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities:				
General government	\$ 1,215,650	\$ 23,622	\$ -	\$ -
Public safety	4,554,876	501,269	252,752	15,000
Public works	1,072,834	897,851	6,614	-
Community and economic development	69,395	-	-	-
Recreation and cultural	185,416	12,435	25,000	141,568
Interest on long-term debt	300	-	-	-
Total Governmental Activities	<u>7,098,471</u>	<u>1,435,177</u>	<u>284,366</u>	<u>156,568</u>
Business-type Activities:				
Water	1,544,304	2,260,795	-	-
Sewer	1,439,496	798,852	247,649	-
Total Business-type Activities	<u>2,983,800</u>	<u>3,059,647</u>	<u>247,649</u>	<u>-</u>
Total Primary Government	<u>\$ 10,082,271</u>	<u>\$ 4,494,824</u>	<u>\$ 532,015</u>	<u>\$ 156,568</u>
<b>Component Unit</b>				
Downtown Development Authority	<u>\$ 85,695</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Change in net position

Net position at beginning of year

Net position at end of year

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

Net (Expense) Revenue and Change in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit (DDA)
\$( 1,192,028)	\$ -	\$( 1,192,028)	\$ -
( 3,785,855)	-	( 3,785,855)	-
( 168,369)	-	( 168,369)	-
( 69,395)	-	( 69,395)	-
( 6,413)	-	( 6,413)	-
( 300)	-	( 300)	-
<u>( 5,222,360)</u>	<u>-</u>	<u>( 5,222,360)</u>	<u>-</u>
-	716,491	716,491	-
<u>-</u>	<u>( 392,995)</u>	<u>( 392,995)</u>	<u>-</u>
<u>-</u>	<u>323,496</u>	<u>323,496</u>	<u>-</u>
			-
<u>( 5,222,360)</u>	<u>323,496</u>	<u>( 4,898,864)</u>	<u>-</u>
-	-	-	( 85,695)
3,642,292	-	3,642,292	202,453
1,010,408	-	1,010,408	-
20,625	54,132	74,757	7,404
<u>4,673,325</u>	<u>54,132</u>	<u>4,727,457</u>	<u>209,857</u>
( 549,035)	377,628	( 171,407)	124,162
<u>4,803,878</u>	<u>16,749,590</u>	<u>21,553,468</u>	<u>511,363</u>
<u>\$ 4,254,843</u>	<u>\$ 17,127,218</u>	<u>\$ 21,382,061</u>	<u>\$ 635,525</u>

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

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	General	Fire	Police	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 1,375,564	\$ 520,207	\$ 384,337	\$ 353,721	\$ 2,633,829
Investments	644,537	-	-	73,384	717,921
Receivables -					
Due from other governmental units	341,407	-	74,933	42,563	458,903
Other	40,327	-	-	521	40,848
Due from other funds	29,335	-	-	-	29,335
 Total Assets	 <u>\$ 2,431,170</u>	 <u>\$ 520,207</u>	 <u>\$ 459,270</u>	 <u>\$ 470,189</u>	 <u>\$ 3,880,836</u>
<b>Liabilities:</b>					
Accounts payable	\$ 27,649	\$ 1,771	\$ 22,663	\$ 21,029	\$ 73,112
Accrued liabilities	71,661	35,213	121,073	5,620	233,567
Performance bonds and deposits	56,828	-	-	-	56,828
Due to other funds	-	-	-	26,079	26,079
 Total Liabilities	 <u>156,138</u>	 <u>36,984</u>	 <u>143,736</u>	 <u>52,728</u>	 <u>389,586</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue -					
Grant proceeds	99,005	-	-	-	99,005
<b>Fund Balance:</b>					
Nonspendable - Perpetual care	-	-	-	73,000	73,000
Restricted	-	483,223	315,534	344,461	1,143,218
Assigned 2020-2021	64,000	-	-	-	64,000
Unassigned	2,112,027	-	-	-	2,112,027
 Total Fund Balance	 <u>2,176,027</u>	 <u>483,223</u>	 <u>315,534</u>	 <u>417,461</u>	 <u>3,392,245</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balance	 <u>\$ 2,431,170</u>	 <u>\$ 520,207</u>	 <u>\$ 459,270</u>	 <u>\$ 470,189</u>	 <u>\$ 3,880,836</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, 2020**

Fund Balances - total governmental funds	\$	3,392,245
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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	\$ 12,934,142	
Accumulated depreciation	<u>( 7,608,190)</u>	5,325,952

Expenses recorded in the funds on the purchase method.		83,852
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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	515,269	
Deferred inflows of resources	<u>( 120,743)</u>	394,526

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

Grant proceeds		99,005
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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	( 28,854)	
Compensated absences	( 34,645)	
Net pension liability	( 3,641,199)	
Net OPEB liability	<u>( 1,336,039)</u>	<u>( 5,040,737)</u>

Net position of governmental activities	\$	<u><u>4,254,843</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, 2020**

	General	Fire	Police	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 449,290	\$ 996,355	\$ 2,169,555	\$ -	\$ 3,615,200
Licenses and permits	229,711	-	-	-	229,711
Intergovernmental	817,067	2,538	257,333	42,563	1,119,501
Charges for services	51,675	2,234	310,689	33,718	398,316
Fines and forfeits	-	-	14,492	-	14,492
Special assessments	-	-	-	873,314	873,314
Interest and rent	15,557	1,866	1,316	4,390	23,129
Other	122,624	16,221	8,121	33,902	180,868
Total Revenues	<u>1,685,924</u>	<u>1,019,214</u>	<u>2,761,506</u>	<u>987,887</u>	<u>6,454,531</u>
<b>Expenditures:</b>					
General government	1,538,781	-	-	1,381	1,540,162
Public safety	497,794	852,590	2,878,498	12,664	4,241,546
Public works	175,489	-	-	962,123	1,137,612
Community and economic development	69,395	-	-	-	69,395
Recreation and cultural	9,209	-	-	79,669	88,878
Debt service	-	-	-	50,500	50,500
Total Expenditures	<u>2,290,668</u>	<u>852,590</u>	<u>2,878,498</u>	<u>1,106,337</u>	<u>7,128,093</u>
Revenues over (under) expenditures	<u>( 604,744)</u>	<u>166,624</u>	<u>( 116,992)</u>	<u>( 118,450)</u>	<u>( 673,562)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	-	-	-	57,306	57,306
Transfers to other funds	( 55,100)	-	-	( 2,206)	( 57,306)
Total Other Financing Sources (Uses)	<u>( 55,100)</u>	<u>-</u>	<u>-</u>	<u>55,100</u>	<u>-</u>
Net Change in Fund Balances	<u>( 659,844)</u>	<u>166,624</u>	<u>( 116,992)</u>	<u>( 63,350)</u>	<u>( 673,562)</u>
Fund Balances at beginning of year	<u>2,835,871</u>	<u>316,599</u>	<u>432,526</u>	<u>480,811</u>	<u>4,065,807</u>
Fund Balances at end of year	<u>\$ 2,176,027</u>	<u>\$ 483,223</u>	<u>\$ 315,534</u>	<u>\$ 417,461</u>	<u>\$ 3,392,245</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, 2020**

Net change in fund balances - total governmental funds		\$( 673,562)
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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	\$ 712,015		
Depreciation expense	( 422,295)		
Net book value of assets sold/dispensed	<u>( 3,678)</u>		286,042

Change in prepaid expenses recorded in the funds on the purchase method.		<u>( 14,367)</u>
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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	( 4,100)		
Grant proceeds	<u>99,005</u>		94,905

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		59,618
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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.		( 84,638)
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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	200		
Increase in net pension liability	( 223,050)		
Decrease in net OPEB liability	14,433		
Increase in accrued compensated absences	<u>( 8,616)</u>		<u>( 217,033)</u>

Change in net position of governmental activities		<u><u>\$( 549,035)</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, 2020**

<b>Assets:</b>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Current Assets -			
Cash and cash equivalents	\$ 3,202,904	\$ 476,475	\$ 3,679,379
Utilities receivable	508,337	190,328	698,665
Due from other governmental units	-	247,649	247,649
Inventory	105,233	36,123	141,356
Prepaid expenses	18,869	3,770	22,639
Prepaid service contracts - current portion	162,152	5,250	167,402
Total Current Assets	<u>3,997,495</u>	<u>959,595</u>	<u>4,957,090</u>
Restricted Assets -			
Cash and cash equivalents	1,435,351	-	1,435,351
Special assessment receivable	323,247	-	323,247
Total Restricted Assets	<u>1,758,598</u>	<u>-</u>	<u>1,758,598</u>
Noncurrent Assets -			
Capital assets, net	7,978,419	3,526,339	11,504,758
Special assessment receivable	607	-	607
Prepaid service contracts	2,471,445	73,857	2,545,302
Total Other Assets	<u>10,450,471</u>	<u>3,600,196</u>	<u>14,050,667</u>
Total Assets	<u>16,206,564</u>	<u>4,559,791</u>	<u>20,766,355</u>
<b>Deferred Outflows of Resources:</b>			
Related to the pension plan	64,160	19,743	83,903
Related to the OPEB plan	26,994	26,994	53,988
Total Deferred Outflows of Resources	<u>91,154</u>	<u>46,737</u>	<u>137,891</u>
<b>Liabilities:</b>			
Current Liabilities -			
Accounts payable	44,059	117,531	161,590
Accrued expenses	34,671	5,926	40,597
Accrued interest	7,991	-	7,991
Current portion of long-term debt	535,000	5,250	540,250
Total Current Liabilities	<u>621,721</u>	<u>128,707</u>	<u>750,428</u>
Current Liabilities - (payable from restricted assets) -			
Accounts payable	149,297	-	149,297
Accrued interest	1,326	-	1,326
Total Current Liabilities (payable from restricted assets)	<u>150,623</u>	<u>-</u>	<u>150,623</u>
Long-term Liabilities -			
Net pension liability	570,308	175,479	745,787
Net OPEB liability	341,432	341,432	682,864
Long-term debt - net of current portion	1,315,000	73,857	1,388,857
Total Long-term Liabilities	<u>2,226,740</u>	<u>590,768</u>	<u>2,817,508</u>
Total Liabilities	<u>2,999,084</u>	<u>719,475</u>	<u>3,718,559</u>
<b>Deferred Inflows of Resources:</b>			
Related to the pension plan	1,659	510	2,169
Related to the OPEB plan	28,150	28,150	56,300
Total Deferred Inflows of Resources	<u>29,809</u>	<u>28,660</u>	<u>58,469</u>
<b>Net Position:</b>			
Net Investment in capital assets	6,128,419	3,526,339	9,654,758
Restricted for -			
Capital improvements	798,443	-	798,443
Debt service	809,532	-	809,532
Unrestricted	5,532,431	332,054	5,864,485
Total Net Position	<u>\$ 13,268,825</u>	<u>\$ 3,858,393</u>	<u>\$ 17,127,218</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, 2020**

	Water	Sewer	Total
<b>Operating Revenues:</b>			
Charges for services - user charges	\$ 1,515,982	\$ 722,089	\$ 2,238,071
Penalty on delinquent accounts	37,923	11,306	49,229
Hydrant rental	25,190	-	25,190
Intergovernmental	-	247,649	247,649
Other revenue	11,167	53,657	64,824
Total Operating Revenues	<u>1,590,262</u>	<u>1,034,701</u>	<u>2,624,963</u>
<b>Operating Expenses:</b>			
Cost of water purchased and sewer disposal	510,714	370,901	881,615
Salaries and wages	253,988	100,020	354,008
Fringe benefits	61,918	168,212	230,130
Meters, tools, and supplies	49,414	4,322	53,736
Administration fee	38,550	38,050	76,600
Utilities	20,755	14,105	34,860
Repairs and maintenance	10,477	11,358	21,835
Other operating expenses	87,212	416,018	503,230
Depreciation and amortization	460,605	316,510	777,115
Total Operating Expenses	<u>1,493,633</u>	<u>1,439,496</u>	<u>2,933,129</u>
Operating Income (Loss)	<u>96,629</u>	<u>( 404,795)</u>	<u>( 308,166)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Special assessments and tap fees	72,000	11,800	83,800
Interest, fiscal, and issuance costs	( 50,671)	-	( 50,671)
Interest income	35,724	18,408	54,132
Debt service fees	586,533	-	586,533
Gain on sale of assets	12,000	-	12,000
Total Non-Operating Revenues	<u>655,586</u>	<u>30,208</u>	<u>685,794</u>
Change in Net Position	752,215	( 374,587)	377,628
Net Position at beginning of year	<u>12,516,610</u>	<u>4,232,980</u>	<u>16,749,590</u>
Net Position end of year	<u>\$ 13,268,825</u>	<u>\$ 3,858,393</u>	<u>\$ 17,127,218</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, 2020**

	Water	Sewer	Total
<b>Cash Flows From Operating Activities:</b>			
Cash receipts from customers	\$ 1,576,956	\$ 783,411	\$ 2,360,367
Cash payments to suppliers	( 955,591)	( 844,301)	( 1,799,892)
Cash payments to employees	( 436,884)	( 166,059)	( 602,943)
Net Cash Provided (Used) by Operating Activities	<u>184,481</u>	<u>( 226,949)</u>	<u>( 42,468)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Gain on sale of assets	12,000	-	12,000
Special assessment/tap fees	197,911	11,800	209,711
Purchase of capital assets	( 169,947)	( 113,442)	( 283,389)
Principal and interest paid on debt	( 560,337)	( 5,250)	( 565,587)
Debt service charge	586,533	-	586,533
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>66,160</u>	<u>( 106,892)</u>	<u>( 40,732)</u>
<b>Cash Flows From Investing Activities:</b>			
Interest earned	<u>35,724</u>	<u>18,408</u>	<u>54,132</u>
Net Increase (Decrease) in Cash and Cash Equivalents for the year	286,365	( 315,433)	( 29,068)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>4,351,890</u>	<u>791,908</u>	<u>5,143,798</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 4,638,255</u></u>	<u><u>\$ 476,475</u></u>	<u><u>\$ 5,114,730</u></u>
<b>Reconciliation of Operating Gain (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating gain (loss) for the year	\$ 96,629	\$( 404,795)	\$( 308,166)
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities -			
Depreciation and amortization	460,605	316,510	777,115
Change in assets and liabilities:			
Receivables	( 13,306)	( 251,290)	( 264,596)
Inventory	( 1,615)	( 13,680)	( 15,295)
Prepaid expenses	( 20,517)	6,567	( 13,950)
Deferred outflows of resources	32,752	( 2,260)	30,492
Accounts payable/accrued expenses	( 200,492)	16,463	( 184,029)
Net pension liability	1,463	104,781	106,244
Net OPEB liability	( 168,030)	1,464	( 166,566)
Deferred inflows of resources	( 3,008)	( 709)	( 3,717)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 184,481</u></u>	<u><u>\$( 226,949)</u></u>	<u><u>\$( 42,468)</u></u>

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

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

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2020**

	Agency Funds
<b>Assets:</b>	
Cash and cash equivalents	\$ 21,417
<b>Liabilities:</b>	
Undistributed taxes and interest	\$ 18,161
Due to other funds	3,256
Total Liabilities	\$ 21,417

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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 it is legally separate from the Township.

**DISCRETELY PRESENTED COMPONENT UNITS -**

**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.

**HARSENS ISLAND TRANSPORTATION AUTHORITY** - The Harsens Island Transportation Authority (the "Authority") was created to assist with the transportation of people and goods between the mainland and Harsens Island. The governing body, which consists of five individuals, is selected by the Township Board of Trustees. In addition, any budgets of the Authority will be subject to approval by the Board of Trustees. As of this date, the Authority has not begun any financial activities.

**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.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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*.

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 and claims and judgements are recorded only when payment is due.

State shared revenue, interest, licenses, and permits associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes, which are levied on December 1 and are due 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.



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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**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.

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 Township. Elimination of these charges would distort 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 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.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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

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

**Deposits and Investments -**

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

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with original maturities of three months or less from the date of acquisition.

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."

**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 statements and proprietary funds.

**Property Tax Calendar -**

The Township's property taxes are levied on December 1 on the taxable value 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.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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 and the St. Clair County Department of Public Works wastewater treatment plant, for which the Township has no direct ownership interest. The upgrades to the water plant are amortized over the life of the water sewer contract with the City of Algonac and are recorded as depreciation and amortization expenses. The upgrades to the wastewater treatment plant are amortized over the life of the related bond issue.

**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.

Capital assets of the primary government 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 and professional staff personnel who are allowed to accumulate benefits up to amounts specified in the contract for vacation. All vested vacation 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, 2020**

**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 significant, 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

**Pension -**

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

**Other Postemployment Benefits (OPEB) -**

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

**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 and other postemployment benefit (OPEB) liabilities in the statement of net position.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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 grant proceeds reported in the governmental fund balance sheet as revenue that was not collected within the availability period. Deferred inflows of resources related to pension and 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.

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

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

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

**Estimates -**

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**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. 84, *Fiduciary Activities*, was issued in January 2017, and will become effective for the Township's June 30, 2021 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.

GASB Statement No. 87, *Leases*, was issued in June 2017 and will become effective for the Township's June 30, 2022 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 lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

**Budgetary Information -**

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, 2020, the Township did not have any overages that exceeded this threshold.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**Deficit Fund Balances -**

The Uniform Budgeting and Accounting Act (MCL 141.435) prohibits a township from incurring or budgeting an operating deficit in a fund during a fiscal year. The Drug Enforcement Fund (Special Revenue Fund) original budget was a deficit; however, this fund has an actual fund balance at June 30, 2020 of \$1,699.

**Construction Code Fees -**

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Shortfall at July 1, 2019	\$( 1,350,341)
Permit revenue	139,630
Related expenses	<u>164,423</u>
Current-year shortfall	( <u>24,793</u> )
Cumulative shortfall at June 30, 2020	\$( <u>1,375,134</u> )

**NOTE 3 - DEPOSITS AND INVESTMENTS:**

As of June 30, 2020, 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>7,748,109</u>	<u>21,417</u>	<u>636,129</u>	<u>8,405,655</u>
Total cash and cash equivalents	7,748,559	21,417	636,129	8,406,105
Certificates of deposit reported as investments	<u>717,921</u>	<u>-</u>	<u>-</u>	<u>717,921</u>
	<u>\$ 8,466,480</u>	<u>\$ 21,417</u>	<u>\$ 636,129</u>	<u>\$ 9,124,026</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.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

***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, 2020 the bank balance of the Township's deposits was \$9,258,277, of which \$4,123,760 was insured and the remaining \$5,134,517 was uninsured and uncollateralized.

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

***Interest Rate Risk*** - is the risk that in the event that the market value of securities in the Township portfolio will decrease due to changes in the market interest rates. The Township attempts to minimize interest rate by maintaining liquidity to meet all operating requirements without the need to sell securities prior to maturity and investing operating funds primarily in short-term securities, money markets, mutual funds, or similar public investment pools. The Township's investments have the following range of maturity dates:

Investment Type	Fair Value	Maturity (Years)	
		<1	1-5
Certificates of Deposits	\$ 717,921	\$ 644,537	\$ 73,384

**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 2020 had a taxable value of \$482,088,438. The millage rates levied by the Township was .5346 mills for operating purposes, 4.6000 mills for police services, and 2.1250 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, 2020 are as follows:

	Governmental Activities	Business-type Activities
Special assessments	\$ -	\$ 323,854
Accounts	40,848	698,665
Due from other governmental units	458,903	247,649
Due from fiduciary funds	3,256	-
	<u>\$ 503,007</u>	<u>\$ 1,270,168</u>



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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 6 - INTERFUND RECEIVABLE, PAYABLE, AND TRANSFERS:**

The composition of interfund balances as of June 30, 2020 is as follows:

**Due From/To Other Funds -**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Parks and Recreation Fund	\$ 26,079 (1)
General Fund	Tax Fund	<u>3,256 (2)</u>
		<u>\$ 29,335</u>

**Transfers In/Out -**

<u>Receiving Fund</u>	<u>Expending Fund</u>	<u>Amount</u>
Colony Road Assessment Fund	General Fund	\$ 46,100 (3)
Oaklawn Cemetery Fund	Cemetery Perpetual Care Fund	2,206 (4)
Oaklawn Cemetery Fund	General Fund	<u>9,000 (3)</u>
		<u>\$ 57,306</u>

(1) Short-term borrowing between funds to cover negative balance in the common cash

(2) Amount owed for undistributed interest and tax

(3) Annual appropriation

(4) Allocation of interest

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 - CAPITAL ASSETS:**

**Primary Government -**

Capital asset activity of the Township for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Adjustments/ Deletions	Balance June 30, 2020
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 802,501	\$ 420,698	\$ -	\$ 1,223,199
Construction in progress	<u>56,473</u>	<u>-</u>	<u>56,473</u>	<u>-</u>
Total capital assets, not being depreciated	<u>858,974</u>	<u>420,698</u>	<u>56,473</u>	<u>1,223,199</u>
Capital assets, being depreciated:				
Infrastructure	2,313,706	179,606	-	2,493,312
Buildings and improvements	5,257,127	5,100	-	5,262,227
Land improvements	83,425	-	-	83,425
Vehicles and equipment	3,966,852	156,584	348,257	3,775,179
Furniture and fixtures	<u>90,300</u>	<u>6,500</u>	<u>-</u>	<u>96,800</u>
Total capital assets, being depreciated	<u>11,711,410</u>	<u>347,790</u>	<u>348,257</u>	<u>11,710,943</u>
Accumulated depreciation for:				
Infrastructure	1,279,698	108,904	-	1,388,602
Buildings and improvements	3,052,704	138,151	-	3,190,855
Land improvements	6,258	2,086	-	8,344
Vehicles and equipment	3,118,081	170,007	344,579	2,943,509
Furniture and fixtures	<u>73,733</u>	<u>3,147</u>	<u>-</u>	<u>76,880</u>
Total accumulated depreciation	<u>7,530,474</u>	<u>422,295</u>	<u>344,579</u>	<u>7,608,190</u>
Total capital assets, being depreciated, net	<u>4,180,936</u>	<u>( 74,505)</u>	<u>3,678</u>	<u>4,102,753</u>
Governmental activities capital assets, net	<u>\$ 5,039,910</u>	<u>\$ 346,193</u>	<u>\$ 60,151</u>	<u>\$ 5,325,952</u>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 160,650	\$ -	\$ -	\$ 160,650
Construction in progress	<u>1,063,977</u>	<u>103,837</u>	<u>1,167,814</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,224,627</u>	<u>103,837</u>	<u>1,167,814</u>	<u>160,650</u>
Capital assets, being depreciated:				
Underground mains	22,898,208	1,167,814	-	24,066,022
Buildings and improvements	507,950	-	-	507,950
Vehicles and equipment	518,358	179,552	52,950	644,960
Sewage treatment plant	<u>5,328,495</u>	<u>-</u>	<u>-</u>	<u>5,328,495</u>
Total capital assets, being depreciated	<u>29,253,011</u>	<u>1,347,366</u>	<u>52,950</u>	<u>30,547,427</u>
Less - Accumulated depreciation for:				
Underground mains	14,496,445	460,811	-	14,957,256
Buildings and improvements	274,293	10,159	-	284,452
Vehicles and equipment	436,518	21,314	52,950	404,882
Sewage treatment plant	<u>3,449,991</u>	<u>106,738</u>	<u>-</u>	<u>3,556,729</u>
Total accumulated depreciation	<u>18,657,247</u>	<u>599,022</u>	<u>52,950</u>	<u>19,203,319</u>
Total capital assets, being depreciated, net	<u>10,595,764</u>	<u>748,344</u>	<u>-</u>	<u>11,344,108</u>
Business-type activities capital assets, net	<u>\$ 11,820,391</u>	<u>\$ 852,181</u>	<u>\$ 1,167,814</u>	<u>\$ 11,504,758</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 - CAPITAL ASSETS - (cont'd):**

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

Governmental Activities:	
General Government	\$ 50,980
Public Safety	226,161
Public Works	55,211
Recreation and Culture	<u>89,943</u>
Total depreciation expense-governmental activities	\$ <u>422,295</u>
Business-type Activities:	
Water Fund	\$ 282,512
Sewer Fund	<u>316,510</u>
Total depreciation expense-business-type activities	\$ <u>599,022</u>

Amortization related to the prepaid service contract for the period ending June 30, 2020 was \$178,093.

**Commitment -**

In November 2019, the Township signed a purchase order to buy two pumper trucks totaling approximately \$1,218,000. In October 2020, there were change orders increasing the total to approximately \$1,240,000.

**NOTE 8 - PAYABLES:**

Payables in the governmental and business-type activities at June 30, 2020 are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
Accounts payable	\$ 73,112	\$ 161,590
Accrued wages and fringe benefits	<u>233,567</u>	<u>40,597</u>
	\$ <u>306,679</u>	\$ <u>202,187</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 - LONG-TERM DEBT:**

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, 2020:

	Interest Rate Ranges	Principal Maturity Ranges	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
<b>Governmental Activities:</b>							
2014 Refunding Bonds							
Amount of issue: \$310,000							
Maturity through 2020	2.00%	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -	\$ -
Direct Borrowings -							
Taser Contracts Payable							
Amount of issue: \$38,472							
Maturity through 2023	0.00%	9,618	38,472	-	9,618	28,854	9,618
Other Liabilities -							
Compensated Absences			26,029	8,616	-	34,645	-
Total Governmental Activities			114,501	8,616	59,618	63,499	9,618
<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							
Maturity through 2020	2.50%	306,625	306,625	-	306,625	-	-
2014 Refunding Bonds							
Amount of issue: \$2,610,000	2.00% -	200,000 -					
Maturity through 2023	2.50%	505,000	1,625,000	-	200,000	1,425,000	505,000
2018 Special Assessment Bonds							
Amount of issue: \$720,000		25,000 -					
Maturity through 2036	3.75%	30,000	425,000	-	-	425,000	30,000
Total Water Fund			2,356,625	-	506,625	1,850,000	535,000
<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 2035	2.50%	5,607	84,357	-	5,250	79,107	5,250
Total Business-type Activities			2,440,982	-	511,875	1,929,107	540,250
Total Primary Government			\$2,555,483	\$ 8,616	\$ 571,493	\$ 1,992,606	\$ 549,868

During fiscal 2015, the Township advance refunded \$2,290,000 of the 2001 Water Supply System No. II-A Bonds. At June 30, 2020, the bonds that were considered defeased had outstanding balances of \$325,000.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**Annual Debt Requirements:**

The annual requirements to pay the debt outstanding at June 30, 2020 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
2021	\$ 9,618	\$ -	\$ 9,618	\$ 540,250	\$ 44,806	\$ 585,056
2022	9,618	-	9,618	490,250	33,382	523,632
2023	9,618	-	9,618	500,250	21,198	521,448
2024	-	-	-	35,250	14,130	49,380
2025	-	-	-	35,250	12,875	48,125
2026-2030	-	-	-	151,250	47,425	198,675
2031-2035	-	-	-	151,607	20,739	172,346
2036	-	-	-	25,000	936	25,936
Total	<u>\$ 28,854</u>	<u>\$ -</u>	<u>\$ 28,854</u>	<u>\$ 1,929,107</u>	<u>\$ 195,491</u>	<u>\$ 2,124,598</u>

**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. The pension plan is closed to new-hires. 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, 2019 was comprised of 36 active participants, 30 retirees and beneficiaries, 4 other vested inactive participants, and 14 unvested inactive participants.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**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 3.14%-12.25% of gross wages. The Township pays the actuarially determined amount, which for the year ended June 30, 2020 was \$30,308 per month.

**Net Pension Liability -**

The net pension liability of the Township has been measured as of December 31, 2019 as determined by an actuarial valuation performed as of that date and the changes in the net pension liability are composed of the following:

	Total Pension Liability	Plan's Net Position	Net Pension Liability
Beginning balance	\$ 10,434,922	\$ 6,207,737	\$ 4,227,185
Service cost	251,487	-	251,487
Interest on total pension liability	822,409	-	822,409
Net investment income	-	842,450	( 842,450)
Change in benefits	448	-	448
Difference between expected and actual experience	69,205	-	69,205
Change in assumptions	339,588	-	339,588
Contributions from employer	-	367,826	( 367,826)
Contributions from employees	-	127,574	( 127,574)
Benefit payments	( 561,110)	( 561,110)	-
Administrative costs	-	( 14,514)	14,514
Ending balance	<u>\$ 11,356,949</u>	<u>\$ 6,969,963</u>	<u>\$ 4,386,986</u>

Plan fiduciary net position as a percentage of the total pension liability 61.37%

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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

For the year ended June 30, 2020, the Township recognized pension expense of \$676,654 in the government-wide and proprietary fund financial statements of the primary government. At June 30, 2020, 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	\$ 27,114	\$ -
Difference between expected and actual experience	58,188	12,761
Change in assumptions	226,392	-
Contributions made subsequent to the measurement date	<u>181,849</u>	<u>-</u>
	<u>\$ 493,543</u>	<u>\$ 12,761</u>

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:

2021	\$ 122,887
2022	160,303
2023	85,556
2024	<u>( 69,813)</u>
	<u>\$ 298,933</u>

**Actuarial Assumptions -**

The total pension liability was determined by an actuarial valuation as of December 31, 2019. 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 - 3.00%**

**Inflation - 2.50%**

**Investment Rate of Return - 7.35%**

**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.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.60 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.

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, 2019 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	60.00 %	5.19 %
Global Fixed Income	20.00	0.75
Private Investments	20.00	1.81

**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 7.60 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 (6.60 percent) or one-percentage-point higher (8.60 percent) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net Pension Liability of the Primary Government	\$ 5,673,910	\$ 4,386,986	\$ 3,295,395



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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 11 - 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 \$400 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.

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.

**Contributions -**

During the year ended June 30, 2020, annually determined contributions were \$209,861 and actual contributions of \$259,989 were made. The valuation, dated June 30, 2020, determined contributions as a percentage of covered payroll is 21.41%. There are no required member contributions.

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.

**Plan Membership -**

At June 30, 2020, OPEB Plan membership consisted of 15 active members and 11 inactive members or beneficiaries receiving benefits.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**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, 2020 are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return Before Inflation</u>
Global Equity	60.00 %	7.75 %
Global Fixed Income	20.00	3.75
Private Investments	20.00	9.75

**Methods and Assumptions -**

Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

The total OPEB liability was determined by a simplified version of the entry age actuarial cost method valuation as of June 30, 2020. The valuation used the following assumptions:

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.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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, 2017 version (Tables 2 and 3 from the National Vital Statistics Report, Vol. 68, No. 7 dated June 24, 2019).

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 8.25 percent for 2021, 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 6.50 percent for 2021, decreasing by 0.25 percent every year to an ultimate trend rate of 4.50 percent in 2029 and the years thereafter.

Health Insurance Premiums - 2020 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 5.00% was used.

**Net OPEB Liability of the Township -**

The net OPEB liability of the Township has been measured as of June 30, 2020. 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:

	Total OPEB Liability	OPEB Plan's Net Position	Net OPEB Liability
Beginning Balance	\$ 5,104,129	\$ 3,073,720	\$ 2,030,409
Service cost	117,597	-	117,597
Interest on net OPEB liability	257,561	-	257,561
Net investment income	-	65,429	( 65,429)
Changes in benefits	24,809	-	24,809
Expected and actual differences	( 86,055)	-	( 86,055)
Contributions from employer	-	259,989	( 259,989)
Benefit payments	( 140,989)	( 140,989)	-
Ending Balance	<u>\$ 5,277,052</u>	<u>\$ 3,258,149</u>	<u>\$ 2,018,903</u>

OPEB Plan fiduciary net position as a percentage of total OPEB liability 61.74%

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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

For the year ended June 30, 2020, the Township recognized an OPEB credit of \$44,641 for the OPEB Plan in the government-wide and proprietary fund financial statements of the primary government. At June 30, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB Plan investments	\$ 103,859	\$ -
Difference between expected and actual experience	893	166,451
Changes in assumptions	<u>54,865</u>	<u>-</u>
	<u>\$ 159,617</u>	<u>\$ 166,451</u>

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

2021	\$( 27,958)
2022	( 28,186)
2023	31,062
2024	<u>18,248</u>
	<u>\$( 6,834)</u>

**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 5.00% as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (4.00%) or one-percentage-point higher (6.00%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 2,645,085</u>	<u>\$ 2,018,903</u>	<u>\$ 1,480,269</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**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 8.25%, decreasing by 0.25% to an ultimate trend rate of 4.50% for Non-Medicare rates, and a healthcare cost trend rate of 6.50%, 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 (7.25/5.50-3.50%) or one-percentage-point higher (9.25/7.50-5.50%) than the current rate.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 1,425,768	\$ 2,018,903	\$ 2,716,664

**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 are 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, 2019 to August 1, 2020 the contract amount of \$284,700. In the event that Ira Township seeks a millage renewal for police protection and the millage renewal fails, this contract will be null and void after 60 days of the election.

**NOTE 15 - RESTRICTED ASSETS:**

The water contract with the City of Algonac requires the Township to establish an Equipment Replacement Fund for maintenance, repair, and equipment replacement of the water system. The balance of the restricted funds at June 30, 2020 was \$778,279. The Township also has \$169,461 of restricted funds for the Colony Capital Construction project at June 30, 2020. In addition, there was \$810,858 for Water Debt Retirement.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 16 - RESTRICTED NET POSITION:**

The net position has been restricted in the entity-wide statement of net position at June 30, 2020 for the following purposes:

**Governmental Activities:**

Cemetery Perpetual Care Fund - Nonspendable Funds		\$ 73,000
General Government - Phragmites Fund		<u>10,875</u>
Public Safety - Fire Fund		483,223
Police Fund	\$ 315,534	
Pension and OPEB Liability	<u>( 315,534)</u>	-
Drug Enforcement Fund		<u>1,699</u>
		<u>484,922</u>
Public Works - Rubbish Collection Fund		229,425
Oaklawn Cemetery Fund		11,859
Road/Canal Maintenance Fund		64,165
Cemetery Perpetual Care		<u>588</u>
		<u>306,037</u>
Recreational and Cultural - Music in the Park Fund		11,356
Parks and Recreation Fund		<u>14,476</u>
		<u>25,832</u>
Debt Service - Colony Road Assessment Fund		<u>18</u>
Total Restricted Net Position - Governmental Activities		<u>900,684</u>
<b>Business-type Activities:</b>		
Water Fund - Capital Improvements		798,443
Debt Service		<u>809,532</u>
Total Restricted Net Position - Business-type Activities		<u>1,607,975</u>
Total Restricted Net Position		<u>\$ 2,508,659</u>

**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.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 18 - CONTINGENT LIABILITIES:**

The Township is in negotiations with a contractor used for the Colony Drive Water Main Replacement Project over the final amount due. The contractor is claiming the Township owes them \$518,000 plus interest. The Township believes they owe the contractor \$149,298, which has been recorded as a liability at June 30, 2020. There is a mediation date scheduled for January 2021.

**NOTE 19 - SUBSEQUENT EVENTS/CORONAVIRUS:**

On July 1, 2020, the Township purchased a piece of property in the amount of \$165,000.

Towards the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. There have been mandates from federal, state, and local authorities requiring forced closures of non-essential businesses and stay-at-home orders for most states, including Michigan, which could negatively impact the Township's activities and funding. Given the evolving nature of this global emergency, its financial impact is unknown.

## **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, 2020**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 459,295	\$ 459,295	\$ 449,290	\$ ( 10,005)
Licenses and permits	235,500	235,500	229,711	( 5,789)
Intergovernmental	854,234	854,234	817,067	( 37,167)
Charges for services	42,500	42,500	51,675	9,175
Interest and rent	16,000	16,000	15,557	( 443)
Other	11,500	11,500	122,624	111,124
Total Revenues	<u>1,619,029</u>	<u>1,619,029</u>	<u>1,685,924</u>	<u>66,895</u>
<b>Expenditures:</b>				
General Government -				
Legislative	26,405	26,405	23,071	3,334
Supervisor	101,260	101,260	88,777	12,483
Elections	14,446	14,446	13,951	495
Assessor	167,542	167,542	145,364	22,178
Clerk	103,764	103,764	100,455	3,309
Board of review	4,014	4,014	3,506	508
Treasurer	100,314	100,314	96,485	3,829
Township hall	574,435	1,174,435	1,147,272	27,163
	<u>1,092,180</u>	<u>1,692,180</u>	<u>1,618,881</u>	<u>73,299</u>
Less: Reimbursement from other funds	( 76,100)	( 76,100)	( 80,100)	4,000
	<u>1,016,080</u>	<u>1,616,080</u>	<u>1,538,781</u>	<u>77,299</u>
Public Safety -				
Emergency management	100,000	345,000	333,372	11,628
Inspections	209,447	209,447	164,422	45,025
	<u>309,447</u>	<u>554,447</u>	<u>497,794</u>	<u>56,653</u>
Public Works -				
Drains at large	14,058	14,058	12,922	1,136
Road maintenance and construction	125,000	170,000	162,567	7,433
	<u>139,058</u>	<u>184,058</u>	<u>175,489</u>	<u>8,569</u>
Community and Economic Development -				
Planning commission	71,840	71,840	50,673	21,167
Zoning	37,066	37,066	18,722	18,344
	<u>108,906</u>	<u>108,906</u>	<u>69,395</u>	<u>39,511</u>
Recreation and Cultural -				
Community	14,000	14,000	4,000	10,000
Library board	6,038	6,038	5,209	829
	<u>20,038</u>	<u>20,038</u>	<u>9,209</u>	<u>10,829</u>
Total Expenditures	<u>1,593,529</u>	<u>2,483,529</u>	<u>2,290,668</u>	<u>192,861</u>
Revenues over (under) expenditures	<u>25,500</u>	<u>( 864,500)</u>	<u>( 604,744)</u>	<u>259,756</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, 2020**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Other Financing Uses:</b>				
Transfers to other funds	<u>\$ ( 70,837)</u>	<u>\$ ( 72,500)</u>	<u>\$ ( 55,100)</u>	<u>\$ 17,400</u>
Net Change in Fund Balance	( 45,337)	( 937,000)	( 659,844)	277,156
Fund Balance at beginning of year	<u>2,835,871</u>	<u>2,835,871</u>	<u>2,835,871</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 2,790,534</u></u>	<u><u>\$ 1,898,871</u></u>	<u><u>\$ 2,176,027</u></u>	<u><u>\$ 277,156</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, 2020**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 1,003,205	\$ 1,003,205	\$ 996,355	\$( 6,850)
Intergovernmental	34,000	34,000	2,538	( 31,462)
Charges for services	500	500	2,234	1,734
Interest	1,200	1,200	1,866	666
Other	25,000	25,000	16,221	( 8,779)
	<u>1,063,905</u>	<u>1,063,905</u>	<u>1,019,214</u>	<u>( 44,691)</u>
<b>Expenditures:</b>				
Public Safety -				
Salaries and fringes	611,338	611,338	606,090	5,248
Other current services	415,567	415,567	246,500	169,067
Capital outlay	37,000	37,000	-	37,000
	<u>1,063,905</u>	<u>1,063,905</u>	<u>852,590</u>	<u>211,315</u>
Revenues over expenditures	-	-	166,624	166,624
Fund Balance at beginning of year	<u>316,599</u>	<u>316,599</u>	<u>316,599</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 316,599</u>	<u>\$ 316,599</u>	<u>\$ 483,223</u>	<u>\$ 166,624</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, 2020**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 2,171,643	\$ 2,171,643	\$ 2,169,555	\$ ( 2,088)
Intergovernmental	212,750	212,750	257,333	44,583
Charges for services	311,950	311,950	310,689	( 1,261)
Fines and forfeitures	19,200	19,200	14,492	( 4,708)
Interest	1,000	1,000	1,316	316
Other revenues	50,000	50,000	8,121	( 41,879)
	<u>2,766,543</u>	<u>2,766,543</u>	<u>2,761,506</u>	<u>( 5,037)</u>
<b>Expenditures:</b>				
Public Safety -				
Salaries and fringes	2,445,945	2,475,945	2,528,718	( 52,773)
Legal fees	18,000	18,000	13,938	4,062
Insurance	36,000	36,000	32,440	3,560
Facility	25,500	25,500	24,930	570
Repairs and maintenance	41,800	41,800	35,865	5,935
Other	174,298	174,298	133,122	41,176
Capital outlay	85,000	85,000	109,485	( 24,485)
	<u>2,826,543</u>	<u>2,856,543</u>	<u>2,878,498</u>	<u>( 21,955)</u>
Revenues under expenditures	( 60,000)	( 90,000)	( 116,992)	( 26,992)
Fund Balance at beginning of year	<u>432,526</u>	<u>432,526</u>	<u>432,526</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 372,526</u>	<u>\$ 342,526</u>	<u>\$ 315,534</u>	<u>\$ ( 26,992)</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,			
	2019	2018	2017	2016
<b>Total Pension Liability:</b>				
Service cost	\$ 251,487	\$ 244,567	\$ 214,739	\$ 213,198
Interest	822,409	780,867	749,717	720,826
Change in benefits	448	-	( 6,222)	( 303)
Differences between expected and actual experience	69,205	36,154	( 51,042)	( 80,429)
Change in assumptions	339,588	-	-	-
Benefit payments, including refunds	( 561,110)	( 530,432)	( 529,013)	( 456,844)
Other changes	-	-	( 3,012)	-
Change in total pension liability	922,027	531,156	375,167	396,448
Total pension liability, beginning of year	10,434,922	9,903,766	9,528,599	9,132,151
Total pension liability, end of year	<u>\$ 11,356,949</u>	<u>\$ 10,434,922</u>	<u>\$ 9,903,766</u>	<u>\$ 9,528,599</u>
<b>Plan Fiduciary Net Position:</b>				
Contributions - Employer	\$ 367,826	\$ 362,505	\$ 329,603	\$ 279,425
Contributions - Member	127,574	116,000	111,888	115,793
Net investment income	842,450	( 257,148)	771,387	606,499
Benefit payments, including refunds	( 561,110)	( 530,432)	( 529,013)	( 456,844)
Administrative expenses	( 14,514)	( 12,680)	( 12,208)	( 11,970)
Net change in plan fiduciary net position	762,226	( 321,755)	671,657	532,903
Plan fiduciary net position, beginning of year	6,207,737	6,529,492	5,857,835	5,324,932
Plan fiduciary net position, end of year	<u>\$ 6,969,963</u>	<u>\$ 6,207,737</u>	<u>\$ 6,529,492</u>	<u>\$ 5,857,835</u>
<b>Township's Net Pension Liability - Ending</b>	<u>\$ 4,386,986</u>	<u>\$ 4,227,185</u>	<u>\$ 3,374,274</u>	<u>\$ 3,670,764</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	61.37%	59.49%	65.93%	61.48%
<b>Covered Employee Payroll</b>	\$ 2,099,978	\$ 2,019,212	\$ 1,845,779	\$ 1,797,413
<b>Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	208.9%	209.3%	182.8%	204.2%

GASB Statement No. 68 was implemented for fiscal year ended June 30, 2015. These schedules are being built prospectively.

	2015		2014
\$	222,469	\$	200,818
	674,129		640,859
	1,351		-
	69,961		-
	326,591		-
(	444,769)	(	453,675)
	-		-
	849,732		388,002
	8,282,419		7,894,417
\$	9,132,151	\$	8,282,419

\$	286,312	\$	226,575
	111,205		111,027
(	82,107)		330,716
(	444,769)	(	453,675)
(	11,977)	(	12,146)
(	141,336)		202,497
	5,466,268		5,263,771
\$	5,324,932	\$	5,466,268
\$	3,807,219	\$	2,816,151

	58.31%		66.00%
\$	1,827,020	\$	1,673,664
	208.4%		168.3%

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

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

	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 372,305	\$ 372,305	\$ -	\$ 2,162,917	17.21%
2019	352,154	352,154	-	2,054,669	17.14%
2018	373,084	373,084	-	1,932,758	19.30%
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 to 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	19 years
Asset Valuation Method	5-year smoothed market value
Salary Increases	3.00% for 2019, 3.75% for prior years
Investment Rate of Return	7.35% for 2019, 7.75% for prior years
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 Statement No. 68 was implemented for fiscal year ended June 30, 2015. These schedules are being built prospectively.

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

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

	2020	2019	2018
<b>Total OPEB Liability:</b>			
Service cost	\$ 117,597	\$ 119,460	\$ 122,918
Interest	257,561	251,543	262,966
Differences between expected and actual experience	( 86,055)	( 218,161)	2,570
Changes in assumptions	-	109,731	-
Changes in benefits	24,809	-	-
Benefit payments, including refunds	( 140,989)	( 139,693)	( 130,984)
	<u>172,923</u>	<u>122,880</u>	<u>257,470</u>
Change in total OPEB liability			
Total OPEB liability, beginning of year	<u>5,104,129</u>	<u>4,981,249</u>	<u>4,723,779</u>
Total OPEB liability, end of year	<u><u>\$ 5,277,052</u></u>	<u><u>\$ 5,104,129</u></u>	<u><u>\$ 4,981,249</u></u>
<b>Plan Fiduciary Net Position:</b>			
Contributions to OPEB trust	\$ 259,989	\$ 258,693	\$ 187,251
Net investment income	65,429	82,506	166,218
Benefit payments, including refunds	( 140,989)	( 139,693)	( 130,984)
	<u>184,429</u>	<u>201,506</u>	<u>222,485</u>
Net change in plan fiduciary net position			
Plan fiduciary net position, beginning of year	<u>3,073,720</u>	<u>2,872,214</u>	<u>2,649,729</u>
Plan fiduciary net position, end of year	<u><u>\$ 3,258,149</u></u>	<u><u>\$ 3,073,720</u></u>	<u><u>\$ 2,872,214</u></u>
<b>Township's Net OPEB Liability - Ending</b>	<u><u>\$ 2,018,903</u></u>	<u><u>\$ 2,030,409</u></u>	<u><u>\$ 2,109,035</u></u>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	61.74%	60.22%	57.7%
<b>Covered Employee Payroll</b>	\$ 1,214,541	\$ 1,271,822	\$ 1,208,375
<b>Township's Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	166.23%	159.65%	174.5%

GASB Statement No. 75 was implemented for fiscal year ended June 30, 2018. These schedules are being built prospectively.



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

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

	Annual Determined Contribution	Contributions in Relation to the Annual Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 209,861	\$ 259,989	\$( 50,128)	\$ 1,214,541	21.41%
2019	212,309	258,693	( 46,384)	1,271,822	20.34%
2018	218,427	187,251	31,176	1,208,375	15.50%

**Valuation Date:** June 30, 2020

**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	5.00%
Years of Service	25 years of continuous service, or 30 years of non-continuous service with the Township
Mortality	National Center for Health Statistics 2017 version (Tables 2 and 3 from the National Vital Statistics Report, Vol 68 No. 7 dated June 24, 2019)
Health Care Trend Rates	Initial trend of 8.25% in 2021, 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 6.5% in 2021, decreasing by 0.25% to an ultimate trend rate of 4.5% in 2029 and for years thereafter for Medicare rates.

GASB Statement 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, 2020**

	Special Revenue Funds				
	Rubbish Collection	Drug Enforcement	Drug Forfeiture	Oaklawn Cemetery	Music in the Park
<b>Assets:</b>					
Cash and cash equivalents	\$ 252,904	\$ 1,178	\$ -	\$ 12,649	\$ 11,356
Investments	-	-	-	-	-
Receivables	-	521	-	-	-
Due from other governmental units	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 252,904</u>	<u>\$ 1,699</u>	<u>\$ -</u>	<u>\$ 12,649</u>	<u>\$ 11,356</u>
<b>Liabilities:</b>					
Accounts payable	\$ 20,289	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	3,190	-	-	790	-
Due to other funds	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>23,479</u>	<u>-</u>	<u>-</u>	<u>790</u>	<u>-</u>
<b>Fund Balance:</b>					
Nonspendable for -					
Perpetual care	-	-	-	-	-
Restricted	229,425	1,699	-	11,859	11,356
	<u>229,425</u>	<u>1,699</u>	<u>-</u>	<u>11,859</u>	<u>11,356</u>
Total Fund Balance	<u>229,425</u>	<u>1,699</u>	<u>-</u>	<u>11,859</u>	<u>11,356</u>
Total Liabilities and Fund Balance	<u>\$ 252,904</u>	<u>\$ 1,699</u>	<u>\$ -</u>	<u>\$ 12,649</u>	<u>\$ 11,356</u>

			Permanent Fund	Debt Service Fund	
Road/Canal Maintenance	Parks and Recreation	Phragmites Program	Cemetery Perpetual Care	Colony Road Assessment	Total
\$ 64,537	\$ -	\$ 10,875	\$ 204	\$ 18	\$ 353,721
-	-	-	73,384	-	73,384
-	-	-	-	-	521
-	42,563	-	-	-	42,563
<u>\$ 64,537</u>	<u>\$ 42,563</u>	<u>\$ 10,875</u>	<u>\$ 73,588</u>	<u>\$ 18</u>	<u>\$ 470,189</u>
\$ 372	\$ 368	\$ -	\$ -	\$ -	\$ 21,029
-	1,640	-	-	-	5,620
-	26,079	-	-	-	26,079
<u>372</u>	<u>28,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,728</u>
-	-	-	73,000	-	73,000
64,165	14,476	10,875	588	18	344,461
<u>64,165</u>	<u>14,476</u>	<u>10,875</u>	<u>73,588</u>	<u>18</u>	<u>417,461</u>
<u>\$ 64,537</u>	<u>\$ 42,563</u>	<u>\$ 10,875</u>	<u>\$ 73,588</u>	<u>\$ 18</u>	<u>\$ 470,189</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, 2020**

Special Revenue Funds

	Rubbish Collection	Drug Enforcement	Drug Forfeiture	Oaklawn Cemetery	Music in the Park
<b>Revenues:</b>					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	25,107	-
Special assessments	852,673	-	-	-	-
Interest and rent	-	-	6	1,056	-
Other	1,426	1,358	-	-	12,700
Total Revenues	<u>854,099</u>	<u>1,358</u>	<u>6</u>	<u>26,163</u>	<u>12,700</u>
<b>Expenditures:</b>					
Current -					
General government	-	-	-	-	-
Public safety	-	9,618	3,046	-	-
Public works	892,970	-	-	38,278	-
Recreation and cultural	-	-	-	-	7,278
Debit Service -					
Principal	-	-	-	-	-
Interest and charges	-	-	-	-	-
Total Expenditures	<u>892,970</u>	<u>9,618</u>	<u>3,046</u>	<u>38,278</u>	<u>7,278</u>
Revenues over (under) expenditures	<u>( 38,871)</u>	<u>( 8,260)</u>	<u>( 3,040)</u>	<u>( 12,115)</u>	<u>5,422</u>
<b>Other Financing Sources:</b>					
Transfers to other funds	-	-	-	-	-
Transfers from other funds	-	-	-	11,206	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,206</u>	<u>-</u>
Net Change in Fund Balances	( 38,871)	( 8,260)	( 3,040)	( 909)	5,422
Fund Balances at beginning of year	<u>268,296</u>	<u>9,959</u>	<u>3,040</u>	<u>12,768</u>	<u>5,934</u>
Fund Balances at end of year	<u>\$ 229,425</u>	<u>\$ 1,699</u>	<u>\$ -</u>	<u>\$ 11,859</u>	<u>\$ 11,356</u>

			Permanent Fund	Debt Service Fund	
Road/Canal Maintenance	Parks and Recreation	Phragmites Program	Cemetery Perpetual Care	Colony Road Assessment	Total
\$ -	\$ 42,563	\$ -	\$ -	\$ -	\$ 42,563
-	7,111	-	1,500	-	33,718
16,542	-	-	-	4,099	873,314
-	1,900	-	1,122	306	4,390
-	15,724	2,694	-	-	33,902
<u>16,542</u>	<u>67,298</u>	<u>2,694</u>	<u>2,622</u>	<u>4,405</u>	<u>987,887</u>
-	-	1,381	-	-	1,381
-	-	-	-	-	12,664
30,875	-	-	-	-	962,123
-	72,391	-	-	-	79,669
-	-	-	-	50,000	50,000
-	-	-	-	500	500
<u>30,875</u>	<u>72,391</u>	<u>1,381</u>	<u>-</u>	<u>50,500</u>	<u>1,106,337</u>
<u>( 14,333)</u>	<u>( 5,093)</u>	<u>1,313</u>	<u>2,622</u>	<u>( 46,095)</u>	<u>( 118,450)</u>
-	-	-	( 2,206)	-	( 2,206)
-	-	-	-	46,100	57,306
-	-	-	( 2,206)	46,100	55,100
( 14,333)	( 5,093)	1,313	416	5	( 63,350)
<u>78,498</u>	<u>19,569</u>	<u>9,562</u>	<u>73,172</u>	<u>13</u>	<u>480,811</u>
<u>\$ 64,165</u>	<u>\$ 14,476</u>	<u>\$ 10,875</u>	<u>\$ 73,588</u>	<u>\$ 18</u>	<u>\$ 417,461</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**RUBBISH COLLECTION FUND**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Special assessments	\$ 870,203	\$ 870,203	\$ 852,673	\$( 17,530)
Other	2,100	2,100	1,426	( 674)
	<u>872,303</u>	<u>872,303</u>	<u>854,099</u>	<u>( 18,204)</u>
<b>Expenditures:</b>				
Public works	<u>896,304</u>	<u>906,304</u>	<u>892,970</u>	<u>13,334</u>
Revenues under expenditures	( 24,001)	( 34,001)	( 38,871)	( 4,870)
Fund Balance at beginning of year	<u>268,296</u>	<u>268,296</u>	<u>268,296</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 244,295</u>	<u>\$ 234,295</u>	<u>\$ 229,425</u>	<u>\$( 4,870)</u>

**DRUG ENFORCEMENT FUND**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Other	\$ -	\$ 1,000	\$ 1,358	\$ 358
<b>Expenditures:</b>				
Public safety	<u>15,898</u>	<u>10,000</u>	<u>9,618</u>	<u>382</u>
Revenues under expenditures	( 15,898)	( 9,000)	( 8,260)	740
Fund Balance at beginning of year	<u>9,959</u>	<u>9,959</u>	<u>9,959</u>	<u>-</u>
Fund Balance at end of year	<u>\$( 5,939)</u>	<u>\$ 959</u>	<u>\$ 1,699</u>	<u>\$ 740</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**DRUG FORFEITURE FUND**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Interest	\$ -	\$ 6	\$ 6	\$ -
<b>Expenditures:</b>				
Public safety	3,034	3,046	3,046	-
Revenues under expenditures	( 3,034)	( 3,040)	( 3,040)	-
Fund Balance at beginning of year	6,052	6,052	3,040	3,012
Fund Balance at end of year	<u>\$ 3,018</u>	<u>\$ 3,012</u>	<u>\$ -</u>	<u>\$ 3,012</u>

**OAKLAWN CEMETERY FUND**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Charges for services	\$ 32,000	\$ 32,000	\$ 25,107	\$( 6,893)
Interest and rent	1,350	1,350	1,056	( 294)
Other	2,500	2,500	-	( 2,500)
	<u>35,850</u>	<u>35,850</u>	<u>26,163</u>	<u>( 9,687)</u>
<b>Expenditures:</b>				
Public works	44,850	44,850	38,278	6,572
Revenues under expenditures	( 9,000)	( 9,000)	( 12,115)	( 3,115)
<b>Other Financing Sources:</b>				
Transfers from other funds	9,000	9,000	11,206	2,206
Net Change in Fund Balance	-	-	( 909)	( 909)
Fund Balance at beginning of year	12,768	12,768	12,768	-
Fund Balance at end of year	<u>\$ 12,768</u>	<u>\$ 12,768</u>	<u>\$ 11,859</u>	<u>\$( 909)</u>



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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**MUSIC IN THE PARK FUND**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental	\$ 1,200	\$ 1,200	\$ -	\$( 1,200)
Other	9,600	9,600	12,700	3,100
	<u>10,800</u>	<u>10,800</u>	<u>12,700</u>	<u>1,900</u>
<b>Expenditures:</b>				
Recreation and culture	<u>10,800</u>	<u>10,800</u>	<u>7,278</u>	<u>3,522</u>
Revenues over expenditures	-	-	5,422	5,422
Fund Balance at beginning of year	<u>5,934</u>	<u>5,934</u>	<u>5,934</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 5,934</u></u>	<u><u>\$ 5,934</u></u>	<u><u>\$ 11,356</u></u>	<u><u>\$ 5,422</u></u>

**ROAD/CANAL MAINTENANCE FUND**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Special assessments	\$ 16,542	\$ 16,542	\$ 16,542	\$ -
<b>Expenditures:</b>				
Public works	<u>28,815</u>	<u>28,815</u>	<u>30,875</u>	<u>( 2,060)</u>
Revenues under expenditures	( 12,273)	( 12,273)	( 14,333)	( 2,060)
Fund Balance at beginning of year	<u>78,498</u>	<u>78,498</u>	<u>78,498</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 66,225</u></u>	<u><u>\$ 66,225</u></u>	<u><u>\$ 64,165</u></u>	<u><u>\$( 2,060)</u></u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**PARKS AND RECREATION FUND**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental	\$ 44,919	\$ 44,919	\$ 42,563	\$( 2,356)
Charges for services	12,000	12,000	7,111	( 4,889)
Interest and rent	2,300	2,300	1,900	( 400)
Other	4,900	4,900	15,724	10,824
	<u>64,119</u>	<u>64,119</u>	<u>67,298</u>	<u>3,179</u>
<b>Expenditures:</b>				
Recreation and culture	<u>81,119</u>	<u>81,119</u>	<u>72,391</u>	<u>8,728</u>
Revenues under expenditures	( 17,000)	( 17,000)	( 5,093)	11,907
<b>Other Financing Uses:</b>				
Transfers from other funds	<u>17,000</u>	<u>17,000</u>	<u>-</u>	<u>( 17,000)</u>
Net Change in Fund Balance	-	-	( 5,093)	11,907
Fund Balance at beginning of year	<u>19,569</u>	<u>19,569</u>	<u>19,569</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 19,569</u>	<u>\$ 19,569</u>	<u>\$ 14,476</u>	<u>\$ 11,907</u>

**PHRAGMITES PROGRAM FUND**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Other	\$ 3,200	\$ 3,200	\$ 2,694	\$( 506)
<b>Expenditures:</b>				
General government	<u>3,200</u>	<u>3,200</u>	<u>1,381</u>	<u>1,819</u>
Revenues over expenditures	-	-	1,313	1,313
Fund Balance at beginning of year	<u>9,562</u>	<u>9,562</u>	<u>9,562</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 9,562</u>	<u>\$ 9,562</u>	<u>\$ 10,875</u>	<u>\$ 1,313</u>

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

**WATER FUNDS**  
**COMBINING SCHEDULE OF NET POSITION**  
**JUNE 30, 2020**

	Unrestricted	Restricted		
	Operating	Colony Capital Construction	Colony Debt Service	Total
<b>Assets:</b>				
Current Assets -				
Cash and cash equivalents	\$ 3,202,904	\$ -	\$ -	\$ 3,202,904
Utilities receivable	508,337	-	-	508,337
Inventory	105,233	-	-	105,233
Prepaid expenses	18,869	-	-	18,869
Prepaid service contracts - current portion	162,152	-	-	162,152
Total Current Assets	3,997,495	-	-	3,997,495
Restricted Assets -				
Cash and cash equivalents	1,153,943	169,461	111,947	1,435,351
Special assessment receivable	19,791	-	303,456	323,247
Total Restricted Assets	1,173,734	169,461	415,403	1,758,598
Noncurrent Assets -				
Capital assets, net	7,978,419	-	-	7,978,419
Special assessment receivable	607	-	-	607
Prepaid service contracts	2,471,445	-	-	2,471,445
Total Other Assets	10,450,471	-	-	10,450,471
Total Assets	15,621,700	169,461	415,403	16,206,564
<b>Deferred Outflows of Resources:</b>				
Related to the pension plan	64,160	-	-	64,160
Related to the OPEB plan	26,994	-	-	26,994
	91,154	-	-	91,154
<b>Liabilities:</b>				
Current Liabilities -				
Accounts payable	44,059	-	-	44,059
Accrued expenses	34,671	-	-	34,671
Accrued interest	7,991	-	-	7,991
Current portion of long-term debt	505,000	-	30,000	535,000
Total Current Liabilities	591,721	-	30,000	621,721
Current Liabilities (payable from restricted assets) -				
Accounts payable	-	149,297	-	149,297
Accrued interest	-	-	1,326	1,326
Total Current Liabilities (payable from restricted assets)	-	149,297	1,326	150,623
Long-term Liabilities -				
Net pension liability	570,308	-	-	570,308
Net OPEB liability	341,432	-	-	341,432
Long-term debt - net of current portion	920,000	-	395,000	1,315,000
Total Long-term Liabilities	1,831,740	-	395,000	2,226,740
Total Liabilities	2,423,461	149,297	426,326	2,999,084
<b>Deferred Inflows of Resources:</b>				
Related to the pension plan	1,659	-	-	1,659
Related to the OPEB plan	28,150	-	-	28,150
	29,809	-	-	29,809
<b>Net Position:</b>				
Net Investment in capital assets	6,553,419	-	( 425,000)	6,128,419
Restricted for -				
Capital improvements	778,279	20,164	-	798,443
Debt service	395,455	-	414,077	809,532
Unrestricted	5,532,431	-	-	5,532,431
Total Net Position	\$ 13,259,584	\$ 20,164	\$ ( 10,923)	\$ 13,268,825

**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, 2020**

	Unrestricted	Restricted	
	Operating	Colony Capital Construction	Colony Debt Service
<b>Operating Revenues:</b>			
Charges for services - user charges	\$ 1,515,982	\$ -	\$ -
Penalty on delinquent accounts	37,923	-	-
Hydrant rental	25,190	-	-
Other revenue	11,167	-	-
Total Operating Revenues	<u>1,590,262</u>	<u>-</u>	<u>-</u>
<b>Operating Expenses:</b>			
Cost of water purchased	510,714	-	-
Salaries and wages	253,988	-	-
Fringe benefits	61,918	-	-
Meters, tools, and supplies	49,414	-	-
Administration fee	38,550	-	-
Utilities	20,755	-	-
Repairs and maintenance	10,477	-	-
Other operating expenses	77,605	9,607	-
Depreciation and amortization	460,605	-	-
Total Operating Expenses	<u>1,484,026</u>	<u>9,607</u>	<u>-</u>
Operating Income (Loss)	<u>106,236</u>	<u>( 9,607)</u>	<u>-</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest, fiscal and issuance costs	( 34,754)	-	( 15,917)
Interest income	15,618	593	19,513
Debt service fees	586,533	-	-
Special assessment and tap fees	72,000	-	-
Sale of assets	12,000	-	-
Total Non-Operating Revenues	<u>651,397</u>	<u>593</u>	<u>3,596</u>
Net Income (Loss) Before Transfers	<u>757,633</u>	<u>( 9,014)</u>	<u>3,596</u>
<b>Transfers:</b>			
Transfer In	1,167,813	-	-
Transfers Out	-	( 1,167,813)	-
Total Transfers	<u>1,167,813</u>	<u>( 1,167,813)</u>	<u>-</u>
Change in Net Position	1,925,446	( 1,176,827)	3,596
Net Position at beginning of year	<u>11,334,138</u>	<u>1,196,991</u>	<u>( 14,519)</u>
Net Position end of year	<u><u>\$ 13,259,584</u></u>	<u><u>\$ 20,164</u></u>	<u><u>\$( 10,923)</u></u>

Eliminations	Total
\$ -	\$ 1,515,982
-	37,923
-	25,190
-	11,167
-	1,590,262
-	510,714
-	253,988
-	61,918
-	49,414
-	38,550
-	20,755
-	10,477
-	87,212
-	460,605
-	1,493,633
-	96,629
-	( 50,671)
-	35,724
-	586,533
-	72,000
-	12,000
-	655,586
-	752,215
( 1,167,813)	-
1,167,813	-
-	-
-	752,215
-	12,516,610
\$ -	\$ 13,268,825

## **COMPONENT UNIT**

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

**DISCRETELY PRESENTED COMPONENT UNIT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**DOWNTOWN DEVELOPMENT AUTHORITY**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 204,145	\$ 204,145	\$ 202,453	\$( 1,692)
Interest	1,200	1,200	7,404	6,204
	<u>205,345</u>	<u>205,345</u>	<u>209,857</u>	<u>4,512</u>
<b>Expenditures:</b>				
Community and Economic Development	<u>521,345</u>	<u>521,345</u>	<u>85,695</u>	<u>435,650</u>
Revenues over (under) expenditures	( 316,000)	( 316,000)	124,162	440,162
Fund Balance at beginning of year	<u>511,363</u>	<u>511,363</u>	<u>511,363</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 195,363</u></u>	<u><u>\$ 195,363</u></u>	<u><u>\$ 635,525</u></u>	<u><u>\$ 440,162</u></u>