

**CITY OF CLAWSON  
Oakland County, Michigan**

**AUDITED FINANCIAL REPORT**

**For the Fiscal Year Ended  
June 30, 2008**

CITY OF CLAWSON  
For the Year Ended June 30, 2008

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CITY OF CLAWSON  
For the Year Ended June 30, 2008

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FINANCIAL SECTION

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## Independent Auditor's Report

October 20, 2008

To the Honorable Mayor and  
Members of the City Council  
City of Clawson, Michigan

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 City of Clawson, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Clawson's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 City of Clawson as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the defined benefit pension plans-trend information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally

Honorable Mayor and Members of the  
City Council  
City of Clawson, Michigan

accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clawson's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

A handwritten signature in black ink that reads "Post, Smythe, Lutz + Ziel of Plymouth". The signature is written in a cursive, slightly slanted style.

Post, Smythe, Lutz and Ziel of Plymouth LLP  
Certified Public Accountants



# City of Clawson

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## Management's Discussion and Analysis

As management of the City of Clawson, we offer readers of the City of Clawson's financial statements this narrative overview and analysis of the financial activities of the City of Clawson for the fiscal year ended June 30, 2008.

### Financial Highlights

- The assets of the City of Clawson exceeded its liabilities at the close of the most recent fiscal year by \$15,465,630 (*net assets*). Of this amount, \$6,261,526 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Clawson's governmental funds reported combined ending fund balances of \$7,662,942, a decrease of \$2,832,137 in comparison with the prior year. Approximately 94 percent of this amount, \$7,211,931 is *available for spending* at the government's discretion (*unreserved fund balance*).
- The City of Clawson's total debt increased by \$5,459,613 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Clawson's basic financial statements. The City of Clawson's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Clawson's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Clawson's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Clawson is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused leave time).

Both of the government-wide financial statements distinguish functions of the City of Clawson that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Clawson

include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the City of Clawson include the water and sewer system and senior citizen housing.

The government-wide financial statements include not only the City of Clawson itself (known as the *primary government*), but also a legally separate downtown development authority for which the City of Clawson is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 10-12 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Clawson, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Clawson can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Clawson maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, the 2007 capital improvement capital project fund, and the 2008 capital improvement capital projects fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

A budgetary comparison statement has been provided for the general fund and the major street fund, to demonstrate compliance with their annual appropriated budgets.

**Proprietary funds.** The City of Clawson maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Clawson used enterprise funds to account for its water and sewer system and for its senior citizen housing. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Clawson's various functions. The City of Clawson uses an internal service fund to account for its fleet of vehicles. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate

information for the water and sewer system and for senior citizen housing, the first of which is considered to be a major fund of the City of Clawson.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Clawson's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Clawson's progress in funding its obligation to provide pension benefits to its employees. This information can be found on pages 45-46 of this report.

The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 49-52 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Clawson, assets exceeded liabilities by \$15,465,630 at the close of the most recent fiscal year.

By far the largest portion of the City of Clawson's net assets (60 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, office equipment, furniture, and other equipment); less any related debt used to acquire those assets that are still outstanding. The City of Clawson used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Clawson's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Clawson's Net Assets

	CITY OF CLAWSON Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$ 10,295,473	\$ 12,318,625	\$ 1,699,278	\$ 1,630,484	\$ 11,994,751	\$ 13,949,109
Capital Assets	16,119,660	5,654,100	12,852,320	13,047,996	28,971,980	18,702,096
Total Assets	26,415,133	17,972,725	14,551,598	14,678,480	40,966,731	32,651,205
Long-term Liab Outstanding	15,875,781	10,042,156	7,649,414	8,023,426	23,525,195	18,065,582
Other Liabilities	1,792,691	1,209,981	183,215	228,831	1,975,906	1,438,812
Total Liabilities	17,668,472	11,252,137	7,832,629	8,252,257	25,501,101	19,504,394
Net Assets:						
Invested in Capital Assets, net of related debt	3,976,334	2,975,615	5,227,770	5,073,095	9,204,104	8,048,710
Unrestricted	4,770,327	3,744,973	1,491,199	1,353,128	6,261,526	5,098,101
Total Net Assets	\$ 8,746,661	\$ 6,720,588	\$ 6,718,969	\$ 6,426,223	\$ 15,465,630	\$ 13,146,811

The remaining balance of *unrestricted net assets* (\$6,261,526) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Clawson is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

During the current fiscal year, net assets increased by \$2,318,819, as a result of operational surpluses in government and business activities.

Governmental activities. Governmental activities increased the City of Clawson's net assets by \$2,026,073. Increases in property tax revenue (newly approved debt millage) and increases in interest income offset by a modest increase in expenses are the primary reasons for the overall increase in net assets.

### City of Clawson – Changes in Net Assets

	Governmental Activities		Business Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services	\$ 965,581	\$ 926,132	\$ 3,411,956	\$ 3,328,169	\$ 4,377,537	\$ 4,254,301
Operating Grants & Contributions	780,283	797,889	-	-	780,283	797,889
Capital Grants & Contributions	414,442	-	-	-	414,442	-
General Revenues:						
Property Taxes	7,647,227	6,310,440	-	-	7,647,227	6,310,440
State Shared Revenues	1,162,135	1,186,996	-	-	1,162,135	1,186,996
Franchise Fees	158,665	142,423	-	-	158,665	142,423
Unrestricted Investment Earnings	487,974	473,023	9,724	11,583	497,698	484,606
<b>Total Revenues</b>	<b>11,616,307</b>	<b>9,836,903</b>	<b>3,421,680</b>	<b>3,339,752</b>	<b>15,037,987</b>	<b>13,176,655</b>
Expenses:						
General Government	2,347,377	2,118,398	-	-	2,347,377	2,118,398
Public Safety	3,074,474	3,058,107	-	-	3,074,474	3,058,107
Public Works	1,691,425	1,543,696	-	-	1,691,425	1,543,696
Sanitation	748,618	861,506	-	-	748,618	861,506
Health and Welfare	247,156	188,536	-	-	247,156	188,536
Recreation and Cultural	1,096,453	1,063,754	-	-	1,096,453	1,063,754
Interest on Long-Term Debt	404,731	15,267	-	-	404,731	15,267
Water and Sewer	-	-	3,065,033	2,969,208	3,065,033	2,969,208
Senior Housing	-	-	43,901	45,252	43,901	45,252
<b>Total Expenses</b>	<b>9,610,234</b>	<b>8,849,264</b>	<b>3,108,934</b>	<b>3,014,460</b>	<b>12,719,168</b>	<b>11,863,724</b>
Change in Net Assets before Transfers	2,006,073	987,639	312,746	325,292	2,318,819	1,312,931
Transfers	20,000	20,000	(20,000)	(20,000)	-	-
<b>Change in Net Assets</b>	<b>\$ 2,026,073</b>	<b>\$ 1,007,639</b>	<b>\$ 292,746</b>	<b>\$ 305,292</b>	<b>\$ 2,318,819</b>	<b>\$ 1,312,931</b>

**Business-type activities.** Business-type activities increased the City of Clawson's net assets by \$292,746. Key elements of this increase are as follows:

- Operating Expenses increased 5.5 percent for the Water and Sewer Fund for the fiscal year, primarily as a result of increases from sewage disposal and treatment charges. Operating Revenues in the Water and Sewer Fund increased 2.67% from last fiscal year. Although the charges for water and sewer were increased, water usage was down from the previous fiscal year. Additional rate increases are anticipated which include a fixed debt service cost component in order to meet future debt service charges. Water and sewer system improvements are ongoing beyond those being completed with the bonded road repair and replacement program.

### **Financial Analysis of the Government's Funds**

As noted earlier, the City of Clawson used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Clawson's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Clawson's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Clawson's governmental funds reported combined ending fund balances of \$7,662,942, a decrease of \$2,832,137 in comparison with the prior year. 94 percent of this total amount \$7,211,931 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been 1) restricted to specific purposes \$48,689 or, 2) unavailable as an advance due from the component unit (\$304,879).

The general fund is the chief operating fund of the City of Clawson. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,156,984, while total fund balance is \$2,510,552. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 30 percent of total general fund expenditures, while total fund balance represents 35 percent of that same amount.

The fund balance of the City of Clawson's general fund increased by \$544,610 during the current fiscal year. Key factors in this increase are as follows:

- Statutory State Shared Revenue was received amounting to around \$300,000. This will go to a new Capital Improvement Reserve balance.
- Although expenditures increased 4.9% from the prior year, revenues increased 1.3% to assist in offsetting some of the cost of doing business. The City of Clawson is currently building a modest Capital Reserve Fund and in the future will add a Budget Stabilization Reserve to assist in the expected upcoming years of reduced property tax revenue. Department of Public Works and Park & Recreation activities saw increases of over 8% from the previous year due to increased activities in the area of deferred maintenance of buildings and facilities. On the reduction side of expenditures, health care costs have been significantly reduced for existing and future retirees. This has greatly assisted the City in the reduction of the health care budget for future years.

**Proprietary funds.** The City of Clawson's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$1,370,238 and \$120,961 for the Senior Housing Fund. The total growth in net assets for both funds was \$293,397 and \$(651) respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Clawson's business-type activities.

### **General Fund Budgetary Highlights**

Differences between the original expenditure budget and the final amended expenditure budget were \$347,875 or 4.8 percent of original appropriation.

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

**Capital assets.** The City of Clawson's investment in capital assets for its governmental and business type activities as of June 30, 2008, amounts to \$28,971,980 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings and system improvements, vehicles, equipment, park facilities, intangible assets and streets. The total increase in the City of Clawson's investment in capital assets for the current fiscal year was 54 percent (a 185 percent increase for governmental activities and a 1 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- 2007 & 2008 GO Bond Program \$10,511,419
- 2 Police Patrol Vehicles 45,367
- Fire Dept Air Compressor 24,985
- DPW Building Upgrades 33,001

Long-term debt. At the end of the current fiscal year, the City of Clawson had total bonded debt outstanding of \$20,969,161, \$1,805,389 of contracts payable, and \$290,676 of installment loans payable (Act 99). All of the City of Clawson's debt represents general obligation debt backed by the full faith and credit of the City of Clawson. Additional information on the City of Clawson's long-term debt can be found in note IV. E. on pages 35-36 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

Unfortunately the economic scene in Michigan has nearly reached rock bottom. The automotive industry is seeking federal assistance and the financial markets have already received a bailout in order to survive. Massive job losses in the state are making it difficult for everyone to manage their personal finances. The struggle for the State of Michigan to balance their budget is an annual event. Although we have been fortunate to receive reduced Statutory State Shared Revenue up to now, shortfalls for the State will likely mean further reductions in state shared revenues to cities, villages, and townships. The City of Clawson still anticipates the statutory portion of state shared revenue to be eliminated in the future. The five-year plan to phase out statutory state shared revenue in our budget is now complete. The City has now eliminated reliance on this revenue to fund our annual operating expenditures. Any statutory state shared revenue that is received will be placed in our reserve for future capital expenditures.

Operating expenditures in a normal fiscal year increase at a level near the rate of inflation. The huge spike this past summer in gas prices and rising supplier costs continue to make it a challenge to meet the needs of operating the day-to-day business of the City. One area that continues to have a dramatic impact on the annual fiscal budget is employee benefit costs. The City of Clawson is proud to announce that five-year contract agreements have been reached with all three of our bargaining units. Working as a team with the union representatives we were able to

agree to changes in current and future benefits. As health care costs and retirement costs continue to increase each year, the City of Clawson has made changes to our health care and retirement plans to make these costs more manageable. Also, through union contract negotiations and changes to the contracts, Clawson has addressed the long-term costs of these benefits by limiting future liability costs for new employees. Current employees also agreed to adjustments to their health care plans in order to help manage these skyrocketing costs going forward.

Unreserved fund balance in the General Fund increased during the year and the City of Clawson plans to reserve some of our unreserved funds for future capital improvement and for budget stabilization as our budgets continue to get tighter and tighter over the next few years. The City has presented a small budget surplus of \$77,500 in the 2009 fiscal year.

The Water and Sewer Fund consumption rates remained the same or decreased for the 2008-2009 budget year. However, a new fixed charge was added for sewer debt payments which will make the overall charge to an average customer go up. The water and sewer rates continue to reflect a fixed cost component for operating the system while charging usage directly based upon consumption. The fixed rate charge for operations and the water usage rate remained the same. The sewage consumption rate actually decreased from the prior year. The new component this year is that the sewer debt will be added as a fixed cost component as was suggested by the water & sewer rate study completed nearly two years ago. Since water consumption continues to decrease in the system, fixed costs become more difficult to pay when rates are based strictly upon a consumption basis. With a fixed charge for sewer debt to customers, meeting those debt obligations will not be dependent upon an estimated amount of consumption. Although not all of the principal and interest obligation is being fully collected through the fixed sewer debt charge, this will move the City closer to relieving this burden. A continuing advantage of this method of rate charges is that customers who use less than an "average" rate of consumption will pay the fixed costs per billing and will no longer pay for an estimated "minimum" usage. Consumption based charges will now be operating pass-through costs for water and sewer operations that the City currently pays.

Senior housing rental rates were increased by an average of 3.0%. Rates were increased to help upgrade the kitchens and to maintain the building and grounds for the senior housing complex.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Clawson's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Clawson, 425 N. Main Street, Clawson, Michigan 48017-1555.

BASIC FINANCIAL STATEMENTS

**CITY OF CLAWSON**  
**Statement of Net Assets**  
**June 30, 2008**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Dev Authority
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 9,465,221	\$ 411,970	\$ 9,877,191	\$ 244,918
Receivables (net of allowance for uncollectibles)	195,240	1,283,111	1,478,351	5,512
Due from Other Governmental Units	230,347	-	230,347	-
Due from Primary Government	-	-	-	940
Advance to Component Unit	304,879	-	304,879	-
Prepaid Expenditures	99,786	4,197	103,983	-
Capital Assets (net of accumulated depreciation)	16,119,660	3,929,662	20,049,322	-
Intangible Assets (net of accumulated amortization)	-	8,922,658	8,922,658	-
Total Assets	<u>26,415,133</u>	<u>14,551,598</u>	<u>40,966,731</u>	<u>251,370</u>
<b>LIABILITIES</b>				
Accounts Payable	737,186	164,789	901,975	-
Accrued Liabilities	1,032,726	7,609	1,040,335	-
Due to Component Unit	940	-	940	-
Advance from Primary Government	-	-	-	304,879
Deposits	-	10,817	10,817	-
Deferred Revenue	21,839	-	21,839	-
Noncurrent Liabilities:				
Compensated Absences	435,105	24,864	459,969	-
Due within one year	715,630	423,613	1,139,243	-
Due in more than one year	14,725,046	7,200,937	21,925,983	-
Total Liabilities	<u>17,668,472</u>	<u>7,832,629</u>	<u>25,501,101</u>	<u>304,879</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, net of related debt	3,976,334	5,227,770	9,204,104	-
Unrestricted (Deficit)	4,770,327	1,491,199	6,261,526	(53,509)
Total Net Assets (Deficit)	<u>\$ 8,746,661</u>	<u>\$ 6,718,969</u>	<u>\$ 15,465,630</u>	<u>\$ (53,509)</u>

**CITY OF CLAWSON**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 2,347,377	\$ 346,553	\$ -	\$ -
Public Safety	3,074,474	298,142	11,841	-
Public Works	1,691,425	114,995	693,430	414,442
Sanitation	748,618	23,742	-	-
Health and Welfare	247,156	-	-	-
Recreation and Cultural	1,096,453	182,149	75,012	-
Interest on Long-Term Debt	404,731	-	-	-
Total Governmental Activities	9,610,234	965,581	780,283	414,442
Business-type Activities:				
Water and Sewer	3,065,033	3,354,792	-	-
Senior Citizen Housing	43,901	57,164	-	-
Total Business-type Activities	3,108,934	3,411,956	-	-
Total Primary Government	\$ 12,719,168	\$ 4,377,537	\$ 780,283	\$ 414,442
<b>Component Unit:</b>				
Downtown Development Authority	\$ 49,308	\$ -	\$ 3,032	\$ -

General Revenues:  
Property Taxes  
State Shared Revenue  
Cable Franchise  
Unrestricted Investment Earnings  
Transfers  
Total General Revenues and Transfers

Change in Net Assets  
Net Assets (Deficit) - Beginning  
  
Net Assets (Deficit) - Ending

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (2,000,824)	\$ -	\$ (2,000,824)	\$ -
(2,764,491)	-	(2,764,491)	-
(468,558)	-	(468,558)	-
(724,876)	-	(724,876)	-
(247,156)	-	(247,156)	-
(839,292)	-	(839,292)	-
(404,731)	-	(404,731)	-
<u>(7,449,928)</u>	<u>-</u>	<u>(7,449,928)</u>	<u>-</u>
-	289,759	289,759	-
-	13,263	13,263	-
<u>-</u>	<u>303,022</u>	<u>303,022</u>	<u>-</u>
<u>(7,449,928)</u>	<u>303,022</u>	<u>(7,146,906)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,276)</u>
7,647,227	-	7,647,227	170,032
1,162,135	-	1,162,135	-
158,665	-	158,665	-
487,974	9,724	497,698	8,346
20,000	(20,000)	-	-
<u>9,476,001</u>	<u>(10,276)</u>	<u>9,465,725</u>	<u>178,378</u>
2,026,073	292,746	2,318,819	132,102
<u>6,720,588</u>	<u>6,426,223</u>	<u>13,146,811</u>	<u>(185,611)</u>
<u>\$ 8,746,661</u>	<u>\$ 6,718,969</u>	<u>\$ 15,465,630</u>	<u>\$ (53,509)</u>

**CITY OF CLAWSON**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2008**

	<u>General</u>	<u>2007 Capital Improvement Capital Project</u>	<u>2008 Capital Improvement Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,878,922	\$ -	\$ 4,892,968	\$ 1,839,715	\$ 8,611,605
Receivables (net of allowance for uncollectibles)	194,487	-	-	753	195,240
Due from State	171,806	-	-	58,541	230,347
Due from Other Funds	292,202	-	-	20,163	312,365
Advance to Component Unit	304,879	-	-	-	304,879
Prepaid Expenditures	79,105	-	-	19,000	98,105
Total Assets	<u>\$ 2,921,401</u>	<u>\$ -</u>	<u>\$ 4,892,968</u>	<u>\$ 1,938,172</u>	<u>\$ 9,752,541</u>

**LIABILITIES AND FUND BALANCE**

Liabilities:					
Accounts Payable	\$ 162,179	\$ -	\$ 518,862	\$ 46,772	\$ 727,813
Accrued and Other Liabilities	205,728	-	784,554	36,360	1,026,642
Due to Other Funds	20,163	-	292,202	-	312,365
Due to Component Unit	940	-	-	-	940
Deferred Revenue	21,839	-	-	-	21,839
Total Liabilities	<u>410,849</u>	<u>-</u>	<u>1,595,618</u>	<u>83,132</u>	<u>2,089,599</u>
Fund Balance:					
Reserved for:					
Long Term Advances	304,879	-	-	-	304,879
Debt Service	-	-	-	97,443	97,443
Drug Law Enforcement	48,689	-	-	-	48,689
Unreserved, reported in:					
General Fund	2,156,984	-	-	-	2,156,984
Capital Projects Fund	-	-	3,297,350	-	3,297,350
Special Revenue Funds	-	-	-	1,757,597	1,757,597
Total Fund Balance	<u>2,510,552</u>	<u>-</u>	<u>3,297,350</u>	<u>1,855,040</u>	<u>7,662,942</u>
Total Liabilities and Fund Balance	<u>\$ 2,921,401</u>	<u>\$ -</u>	<u>\$ 4,892,968</u>	<u>\$ 1,938,172</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital Assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	15,561,499
Internal Service Funds are used by management to charge the costs of motor pool to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,095,356
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(15,573,136)</u>
Net Assets of Governmental Activities	<u>\$ 8,746,661</u>

**CITY OF CLAWSON**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

	General	2007 Capital Improvement Capital Project	2008 Capital Improvement Capital Project	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$ 5,298,581	\$ -	\$ -	\$ 2,348,646	\$ 7,647,227
Licenses and Permits	172,296	-	-	-	172,296
Intergovernmental:					
Federal, State and Local	1,233,383	414,442	-	709,035	2,356,860
Charges for Services	203,731	-	-	-	203,731
Fines and Forfeitures	164,501	-	-	-	164,501
Franchise Fees	158,665	-	-	-	158,665
Interest	181,925	176,047	12,251	92,759	462,982
Other	275,490	-	-	149,563	425,053
Total Revenues	<u>7,688,572</u>	<u>590,489</u>	<u>12,251</u>	<u>3,300,003</u>	<u>11,591,315</u>
<b>Expenditures</b>					
Current:					
General Government	1,179,440	-	-	-	1,179,440
Public Safety	2,957,424	-	-	-	2,957,424
Public Works	883,579	-	-	797,881	1,681,460
Sanitation	-	-	-	748,618	748,618
Health and Welfare	209,355	-	-	-	209,355
Recreation and Cultural	640,422	-	-	456,031	1,096,453
Other Functions	1,047,704	-	-	-	1,047,704
Debt Service:					
Principal	15,000	-	-	600,000	615,000
Interest and Other Charges	6,997	-	-	397,734	404,731
Capital Outlay	224,041	7,546,518	2,964,901	17,807	10,753,267
Total Expenditures	<u>7,163,962</u>	<u>7,546,518</u>	<u>2,964,901</u>	<u>3,018,071</u>	<u>20,693,452</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>524,610</u>	<u>(6,956,029)</u>	<u>(2,952,650)</u>	<u>281,932</u>	<u>(9,102,137)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	20,000	-	-	110,000	130,000
Transfers Out	-	-	-	(110,000)	(110,000)
Proceeds of Long Term Debt	-	-	6,250,000	-	6,250,000
Total Other Financing Sources (Uses)	<u>20,000</u>	<u>-</u>	<u>6,250,000</u>	<u>-</u>	<u>6,270,000</u>
Net Change in Fund Balance	544,610	(6,956,029)	3,297,350	281,932	(2,832,137)
Fund Balance - Beginning	<u>1,965,942</u>	<u>6,956,029</u>	<u>-</u>	<u>1,573,108</u>	<u>10,495,079</u>
Fund Balance - Ending	<u>\$ 2,510,552</u>	<u>\$ -</u>	<u>\$ 3,297,350</u>	<u>\$ 1,855,040</u>	<u>\$ 7,662,942</u>

**CITY OF CLAWSON**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2008**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds	\$	(2,832,137)
<p>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. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>		
		10,511,837
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		(5,695,600)
<p>Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The net revenue(loss) of certain activities of internal service funds is reported with governmental activities.</p>		
		<u>41,973</u>
Change in net assets in governmental activities	\$	<u><u>2,026,073</u></u>

**CITY OF CLAWSON**  
**Balance Sheet**  
**Proprietary Funds**  
**June 30, 2008**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Fund</u>
	<u>Water &amp; Sewer</u>	<u>Other Nonmajor Senior Citizens Housing</u>	<u>Total</u>	
<b><u>ASSETS</u></b>				
Current Assets:				
Cash and Cash Equivalents	\$ 285,530	\$ 126,440	\$ 411,970	\$ 853,616
Accounts Receivable	1,282,741	370	1,283,111	-
Prepaid Expense	4,197	-	4,197	1,681
Total Current Assets	<u>1,572,468</u>	<u>126,810</u>	<u>1,699,278</u>	<u>855,297</u>
Property, Plant and Equipment:				
Land	-	54,028	54,028	-
Land Improvements	-	59,512	59,512	-
Buildings	47,782	355,944	403,726	-
Improvements Other Than Buildings	7,608,100	-	7,608,100	-
Machinery and Equipment	174,405	58,377	232,782	1,745,041
Accumulated Depreciation	(4,183,905)	(244,581)	(4,428,486)	(1,186,880)
Net Property, Plant and Equipment	<u>3,646,382</u>	<u>283,280</u>	<u>3,929,662</u>	<u>558,161</u>
Intangible Assets (net of accumulated amortization)	<u>8,922,658</u>	<u>-</u>	<u>8,922,658</u>	<u>-</u>
Total Assets	<u>\$ 14,141,508</u>	<u>\$ 410,090</u>	<u>\$ 14,551,598</u>	<u>\$ 1,413,458</u>
<b><u>LIABILITIES AND EQUITY</u></b>				
Current Liabilities:				
Accounts Payable	\$ 160,707	\$ 4,082	\$ 164,789	\$ 9,373
Accrued Liabilities	6,469	1,140	7,609	4,213
Compensated Absences Payable	3,560	-	3,560	1,871
Deposits	10,190	627	10,817	-
Contracts Payable	121,396	-	121,396	-
Notes Payable	-	-	-	100,630
Bonds Payable	302,217	-	302,217	-
Total Current Liabilities	<u>604,539</u>	<u>5,849</u>	<u>610,388</u>	<u>116,087</u>
Long-Term Liabilities:				
Compensated Absences Payable	21,304	-	21,304	26,969
Contracts Payable	1,683,993	-	1,683,993	-
Notes Payable	-	-	-	175,046
Bonds Payable	5,516,944	-	5,516,944	-
Total Long-Term Liabilities	<u>7,222,241</u>	<u>-</u>	<u>7,222,241</u>	<u>202,015</u>
Equity:				
Invested in Capital Assets, Net of Related Debt	4,944,490	283,280	5,227,770	282,485
Unreserved	1,370,238	120,961	1,491,199	812,871
Total Equity	<u>6,314,728</u>	<u>404,241</u>	<u>6,718,969</u>	<u>1,095,356</u>
Total Liabilities and Equity	<u>\$ 14,141,508</u>	<u>\$ 410,090</u>	<u>\$ 14,551,598</u>	<u>\$ 1,413,458</u>

**CITY OF CLAWSON**  
**Statement of Revenues, Expenses and Changes in Fund Equity**  
**Proprietary Funds**  
**For the Year Ended June 30, 2008**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Fund</u>
	<u>Water &amp; Sewer</u>	<u>Other Nonmajor Senior Citizens Housing</u>	<u>Total</u>	
<b><u>Operating Revenues:</u></b>				
Charges for Services	\$ 3,266,755	\$ -	\$ 3,266,755	\$ 462,753
Rental Income	-	56,630	56,630	-
Penalty Charges	82,755	-	82,755	-
Miscellaneous	5,282	534	5,816	-
Total Operating Revenues	<u>3,354,792</u>	<u>57,164</u>	<u>3,411,956</u>	<u>462,753</u>
<b><u>Operating Expenses:</u></b>				
Salaries and Fringe Benefits	378,110	-	378,110	168,734
Water Purchases	482,528	-	482,528	-
Sewage and Waste Disposal Charges	1,381,818	-	1,381,818	-
Supplies	-	-	-	113,084
Repairs & Maintenance	11,055	6,809	17,864	49,710
Depreciation and Amortization	321,360	12,689	334,049	82,327
Other	293,946	24,403	318,349	28,859
Total Operating Expenses	<u>2,868,817</u>	<u>43,901</u>	<u>2,912,718</u>	<u>442,714</u>
Operating Income (Loss)	<u>485,975</u>	<u>13,263</u>	<u>499,238</u>	<u>20,039</u>
<b><u>Non-Operating Revenues (Expenses):</u></b>				
Interest Earned	3,638	6,086	9,724	24,992
Interest Expense	(196,216)	-	(196,216)	(3,058)
Total Non-Operating Revenues (Expenses)	<u>(192,578)</u>	<u>6,086</u>	<u>(186,492)</u>	<u>21,934</u>
Income (Loss) before Operating Transfers	293,397	19,349	312,746	41,973
<b><u>Operating Transfers:</u></b>				
Operating Transfers Out	-	(20,000)	(20,000)	-
Net Income (Loss)	293,397	(651)	292,746	41,973
Fund Equity, Beginning	6,021,331	404,892	6,426,223	1,053,383
Fund Equity, Ending	<u>\$ 6,314,728</u>	<u>\$ 404,241</u>	<u>\$ 6,718,969</u>	<u>\$ 1,095,356</u>

**CITY OF CLAWSON**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2008**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Fund</u>
	<u>Water &amp; Sewer</u>	<u>Other Nonmajor Senior Citizens Housing</u>	<u>Total</u>	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Receipts from customers and users	\$ 3,395,083	\$ 56,809	\$ 3,451,892	\$ -
Receipts from quasi-external transactions	-	-	-	462,753
Payments to Suppliers	(2,195,938)	(48,732)	(2,244,670)	(187,952)
Payments to Employees	(401,771)	-	(401,771)	(168,374)
Net Cash Provided by Operating Activities	<u>797,374</u>	<u>8,077</u>	<u>805,451</u>	<u>106,427</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>				
Advance Repayment	-	-	-	304,640
Transfer to other funds	-	(20,000)	(20,000)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>304,640</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>				
Proceeds of Long Term Borrowings	74,466	-	74,466	206,000
Purchases of Capital Assets	(110,056)	(28,317)	(138,373)	(36,050)
Principal Paid on Capital Debt	(424,817)	-	(424,817)	(34,838)
Interest Paid on Capital Debt	(196,216)	-	(196,216)	(3,058)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(656,623)</u>	<u>(28,317)</u>	<u>(684,940)</u>	<u>132,054</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Interest Earned	<u>3,638</u>	<u>6,086</u>	<u>9,724</u>	<u>24,992</u>
Net Increase (Decrease) in Cash and Cash Equivalents	144,389	(34,154)	110,235	568,113
Cash and Cash Equivalents, Beginning	<u>141,141</u>	<u>160,594</u>	<u>301,735</u>	<u>285,503</u>
Cash and Cash Equivalents, Ending	<u>\$ 285,530</u>	<u>\$ 126,440</u>	<u>\$ 411,970</u>	<u>\$ 853,616</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u></b>				
Operating Income (Loss)	\$ 485,975	\$ 13,263	\$ 499,238	\$ 20,039
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	321,360	12,689	334,049	82,327
(Increase) Decrease in Receivables	40,291	(355)	39,936	-
(Increase) Decrease in Prepaids	1,505	-	1,505	1,323
Increase (Decrease) in Accounts Payable	(24,476)	(18,610)	(43,086)	2,035
Increase (Decrease) in Accrued Liabilities	(3,115)	1,140	(1,975)	343
Increase (Decrease) in Compensated Absences	(23,661)	-	(23,661)	360
Increase (Decrease) in Deposits	(505)	(50)	(555)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 797,374</u>	<u>\$ 8,077</u>	<u>\$ 805,451</u>	<u>\$ 106,427</u>

**CITY OF CLAWSON**  
**Statement of Net Assets**  
**Fiduciary Funds**  
**June 30, 2008**

<u>ASSETS</u>	<u>V.E.B.A. Healthcare Trust Fund</u>	<u>Fire Retirement System Trust Fund</u>	<u>Agency Funds</u>
Cash	\$ <u>183,355</u>	\$ <u>-</u>	\$ <u>3,752</u>
Investments, at Fair Value:			
Bonds and Notes	-	915,893	-
Common Stock	-	<u>1,673,154</u>	-
Total Investments	<u>-</u>	<u>2,589,047</u>	<u>-</u>
 Total Assets	 <u>183,355</u>	 <u>2,589,047</u>	 <u>3,752</u>
 <u>LIABILITIES</u>			
Due to Other	<u>-</u>	<u>-</u>	<u>3,752</u>
 Net Assets Held in Trust For Employees' Retirement Benefits	 <u>\$ 183,355</u>	 <u>\$ 2,589,047</u>	 <u>\$ -</u>

**CITY OF CLAWSON**  
**Statement of Changes in Net Assets**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2008**

<u>ADDITIONS</u>	<u>V.E.B.A. Healthcare Trust Fund</u>	<u>Fire Retirement System Trust Fund</u>
Investment Income:		
Earnings on Investments	\$ 2,621	\$ 372
Net Appreciation (Depreciation) in Fair Value of Investments	-	(131,993)
Contributions:		
Employer	195,200	245,669
Employee	-	-
Other	-	-
	<hr/>	<hr/>
Total Additions	197,821	114,048
	<hr/>	<hr/>
<u>DEDUCTIONS</u>		
Benefits Paid	-	-
Retirees Insurance	14,466	73,520
Administrative Costs	-	31,216
Total Deductions	<hr/> 14,466	<hr/> 104,736
	<hr/>	<hr/>
Net Increase (Decrease)	183,355	9,312
Net Assets Held in Trust For Employee's Retirement Benefits:		
Net Assets-Beginning	<hr/> -	<hr/> 2,579,735
Net Assets-Ending	<hr/> \$ 183,355	<hr/> \$ 2,589,047

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Clawson, Michigan, was established in 1940 and covers an area of approximately 2.4 square miles. The City operates under an elected Mayor and City Council, with a full-time City Manager appointed by this body to carry out the policies that it establishes. Services are provided to approximately 13,000 residents in the areas of police and fire protection, building code enforcement, refuse removal, parks and recreation, road construction, street lighting, maintenance, senior housing and water and sewer.

As required by generally accepted accounting principles, these financial statements present the City of Clawson and its component units, entities for which the government 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 government.

*Discretely Presented Component Unit*

Downtown Development Authority

The City of Clawson Downtown Development Authority (DDA) was established to promote economic growth and revitalization of the City's business district. The DDA Board is appointed by the City Council and the annual operating budget and any modifications require the approval of the City Council. The DDA has a June 30 fiscal year end.

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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*.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Government-Wide and Fund Financial Statements – Continued

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 and fiduciary fund financial statements. 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 for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are 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 judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Governmental Funds

The City reports the following major governmental funds:

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

2007 Capital Improvement Capital Projects Fund – used to account for construction activities financed by the 2007 unlimited tax general obligation bonds.

2008 Capital Improvement, Capital Projects Fund – used to account for the construction activity finished by the 2008 unlimited tax general obligation bonds.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

In addition, the City reports on the following fund types:

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

The debt service funds account for the resources that are legally restricted to expenditures for principal and interest payments on long term debt of governmental funds.

Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds include the following fund types:

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the City Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City's enterprise funds include the Water and Sewer Fund, which is reported as a major fund, and the Senior Citizen Housing Fund, which is reported as a nonmajor fund.

Internal Service Funds account for operations that provide services to other departments or agencies of the City on a cost reimbursement basis. As these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary funds include the following fund types:

The Pension Trust Fund accounts for the activities of the Fire Department Retirement System, which accumulates resources for pension, benefit payments to qualified fire department employees.

The V.E.B.A. Health Care Trust Fund was established to accumulate resources for certain post employment benefit payments to qualified employees.

The Agency Fund is used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

*Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks. Investments for the City, as well as for its component units, are recorded at fair value.

2. 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 "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. 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."

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

2. Receivables and Payables – Continued

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. All trade and property tax receivables are shown net of allowance for uncollectible accounts, which are recorded at \$-0- at June 30, 2008.

3. Inventory

Inventories are valued at cost using the first-in/first out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

4. Reserved Fund Balance

Proceeds from drug forfeitures are maintained by the police department. The proceeds and the interest earned on them are to be used only for drug enforcement, education, and awareness.

5. Capital Assets

Capital assets, which include property, plant, 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets 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 capitalized value of the assets constructed. Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	31
Infrastructure	30-50
Equipment	5-20
Vehicles	5-7

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

6. Compensated Absences

In accordance with contracts negotiated with the various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The long-term portion of compensated absences related to the governmental funds is a liability recorded in the Statement of Net Assets. This liability is composed of employees who retire who are paid for fifty to fifty-five percent of unused sick days upon termination of employment and any unused vacation paid upon termination of employment. The total liability at June 30, 2008 is \$459,969.

7. 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 statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets. Long-term liabilities expected to be financed from proprietary funds are reported as liabilities in those funds.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$15,573,136 difference are as follows:

General Obligation Bonds	\$ 15,150,000
Installment Notes Payable	15,000
Compensated Absences Payable	<u>408,136</u>
	<u>\$ 15,573,136</u>

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this \$10,511,837 difference are as follows:

Capital Outlay	\$ 10,753,267
Depreciation Expense	<u>(241,430)</u>
	<u>\$ 10,511,837</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$(5,695,600) difference are as follows:

Proceeds of Long Term Borrowing	\$ (6,250,000)
Increase in Compensated Absences	(60,600)
Principal Repayments:	
Installment Notes and Bonds	<u>615,000</u>
	<u>\$ (5,695,600)</u>

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- a. Budgets must be adopted for the General and Special Revenue Funds.
- b. Budgets must be balanced.
- c. Budgets must be amended as necessary.
- d. Public hearings must be held prior to adoption.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget appropriation prior to being incurred.

The City follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The City Charter requires two regular council meetings per month. By the second meeting in April, a proposed operating budget must be submitted to the City Council for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them for the upcoming year.
2. A public hearing and adoption of the budget is required by the second meeting in May.
3. On or before June 15, the tax rate must be set and the budget is legally enacted through passage of a budget resolution (general appropriation act).
4. Formal budgetary integration is employed as a management control device for the General and Special Revenue Funds. Budgets for these funds are prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP). The General Fund and Special Revenue Fund budgets are adopted at the activity level.
5. Budget appropriations lapse at year end.
6. The City Council may authorize supplemental appropriations (budget amendments) during the year. In 2008 several budget amendments were made and are reflected in the financial statements.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

The Downtown Development Authority Fund has a fund balance deficit of \$53,509 as of June 30, 2008. In 1996, the General Fund made an advance to the DDA which is to be repaid with interest. The DDA will make annual principal and interest payments on the advance until fiscal year 2014, at which time the DDA expects to eliminate the fund balance deficit.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budgets for the General and Special Revenue Funds are adopted at the activity level; expenditures in excess of budget appropriations are as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess Expenditures Over Appropriations</u>
Refuse Collection Fund	\$730,880	\$748,618	\$17,738
CDBG Fund	-	4,259	4,259

C. Public Act 245 of 1999 Compliance

In accordance with the State Construction Code Act, Public Act 245 of 1999, the City must account for cumulative revenues over or under expenditures generated by the City's building department from January 1, 2000 and forward.

The cumulative amounts as of June 30, 2008 are as follows:

Cumulative Balance at June 30, 2007	\$(1,001,343)
Fees Collected in Fiscal Year 2008	142,763
Expenditures in Fiscal Year 2008	<u>(263,171)</u>
Revenues Over (Under) Expenditures	<u>\$(1,121,751)</u>

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the City is permitted 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 City 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 mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Pension Trust Fund and V.E.B.A. Health Care Trust Fund are also authorized by Michigan Public Act 55 of 1982 to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations and certain other specified investment vehicles.

Custodial Credit Risk. In the event of a bank failure, the City's deposits may not be recovered. The City's investment policy requires the Finance Director to consider custodial credit risk by utilizing F.D.I.C. insurance coverage and collateralization of deposits. As of June 30, 2008, the City's book balance of its deposits was \$10,062,869; the total book balance was \$10,064,298, due to \$1,429 in cash on hand. The bank balance was \$10,689,261 which was exposed to custodial credit risk as follows:

	Bank Balance
Insured by F.D.I.C.	\$ 1,412,554
Collateralized in the City's name	8,893,263
Uninsured and Uncollateralized	383,444
Total	\$ 10,689,261

	Carrying Amount	Bank Balance	FDIC Insured	Collateralized
Downtown Development Authority	\$244,918	\$244,918	\$100,000	\$144,918

A reconciliation of cash for the primary government follows:

Statement of Net Assets	
Cash and Cash Equivalents	\$ 9,877,191
Fiduciary Funds:	
V.E.B.A. Trust	183,355
Agency Funds	3,752
Total	\$ 10,064,298

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Interest Rate Risk. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of deposits are as follows:

<u>Deposits and Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Primary Government:		
Certificates of Deposit	\$ 1,253,869	703 Days
Savings and Checking Accounts	9,187,964	Demand
Money Market	<u>247,428</u>	Demand
	<u>\$ 10,689,261</u>	
Trust Funds:		
Mutual Fund – Bonds	\$ 915,893	Not Available
Mutual Funds – Equity	<u>1,673,154</u>	N/A
	<u>\$ 2,589,047</u>	
Component Unit:		
Checking	<u>\$ 244,918</u>	Demand

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Deposits and Investments</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Primary Government:			
Cash and Certificates of Deposits	\$ 10,441,833	N/A	N/A
Money Market	<u>247,428</u>	Not Rated	
	<u>\$ 10,689,261</u>		
Trust Fund:			
Mutual Fund – Bonds	\$ 915,893	Not Rated	
Mutual Funds – Equity	<u>1,673,154</u>	N/A	
	<u>\$ 2,589,047</u>		
Component Units:			
Checking	<u>\$ 244,918</u>	N/A	N/A

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Concentration of Credit Risk. The City places no limit on the amount the City may invest in any one issuer. The City has more than 5 percent of its investments in the following:

Primary Government:	None
Trust Fund:	
Comerica Bond Index Fund	35.20%
Component Units:	None

B. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 541,404	\$ -	\$ -	\$ 541,404
Capital Assets, being depreciated:				
Building and Improvements	4,876,832	116,149	-	4,992,981
Machinery and Equipment	519,377	80,332	-	599,709
Vehicles	1,179,378	45,367	-	1,224,745
Construction In Progress	2,671,866	10,511,419	-	13,183,285
Internal Service Fund	1,708,991	36,050	-	1,745,041
	<u>10,956,444</u>	<u>10,789,317</u>	<u>-</u>	<u>21,745,761</u>
Less: Accumulated Depreciation:				
Building and Improvements	(3,468,166)	(95,214)		(3,563,380)
Machinery and Equipment	(400,081)	(51,031)		(451,112)
Vehicles	(870,948)	(95,185)		(966,133)
Internal Service Fund	(1,104,553)	(82,327)		(1,186,880)
	<u>(5,843,748)</u>	<u>(323,757)</u>	<u>-</u>	<u>(6,167,505)</u>
Governmental Activities Capital Assets, net	<u>\$ 5,654,100</u>	<u>\$ 10,465,560</u>	<u>\$ -</u>	<u>\$ 16,119,660</u>

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets – Continued

<u>Business-type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 54,028	\$ -	\$ -	\$ 54,028
Capital Assets, being depreciated:				
Land Improvements	58,624	888	-	59,512
Buildings	382,987	27,429	-	410,416
Water and Sewer Mains	6,486,013	17,467	-	6,503,480
Meters	697,175	18,123	-	715,298
Hydrants	389,322	-	-	389,322
Equipment	226,092	-	-	226,092
	<u>8,240,213</u>	<u>63,907</u>	<u>-</u>	<u>8,304,120</u>
Less: Accumulated Depreciation:				
Land Improvements	(27,183)	(1,619)	-	(28,802)
Buildings	(203,256)	(7,690)	-	(210,946)
Water and Sewer Mains	(3,263,866)	(56,984)	-	(3,320,850)
Meters	(503,979)	(8,941)	-	(512,920)
Hydrants	(160,193)	(4,862)	-	(165,055)
Equipment	(178,283)	(11,630)	-	(189,913)
	<u>(4,336,760)</u>	<u>(91,726)</u>	<u>-</u>	<u>(4,428,486)</u>
Business Activities				
Capital Assets, net	<u>\$ 3,957,481</u>	<u>\$ (27,819)</u>	<u>\$ -</u>	<u>\$ 3,929,662</u>
Intangible Assets:(Amortized over 40 years)				
Investment in Community Sanitary/Storm Sewers:				
Cost	\$ 9,692,904	\$ 74,466	\$ -	\$ 9,767,370
Accumulated Amortization	(602,389)	(242,323)	-	(844,712)
Intangible Assets, net	<u>\$ 9,090,515</u>	<u>\$ (167,857)</u>	<u>\$ -</u>	<u>\$ 8,922,658</u>

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets – Continued

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

General Government	\$	59,633
Public Safety		117,050
Public Works		26,946
Recreation and Culture		37,801
Charged though Internal Service Funds		82,327
	\$	<u>323,757</u>
Business Type Activities:		
Water and Sewer	\$	79,037
Senior Citizen Housing		12,689
Subtotal		<u>91,726</u>
Amortization of Intangible		242,323
Total per Financial Statement	\$	<u>334,049</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances at June 30, 2008 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
2007 GO Debt Service	General Fund	\$ 18,163
Local Street Fund	General Fund	2,000
General Fund	2008 Capital Imp.	292,202
		<u>\$ 312,365</u>

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Senior Citizen Housing Fund	\$ 20,000
Local Street Fund	Major Street Fund	110,000
Total		<u>\$ 130,000</u>

Note, interfund balance due amounts represent unsettled amounts due, at balance sheet date.

Transfers represent the following:

Senior Citizens Housing Transfer-amount budgeted by City Council.

Local Streets from Major-amounts allowable under Act 51 to finance local improvements.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

D. Intangible Assets

The Oakland County Drain Commission has assessed the City of Clawson for the benefit of utilizing the newly constructed North Arm Relief Drain and the George W. Kuhn Drain. The total cost of the North Arm Relief Drain is \$14,830,305 of which \$2,718,357 (18.34%) is the City of Clawson's portion. The total cost to date of the George W. Kuhn Drain is \$119,690,000 of which the City of Clawson's portion is \$6,883,424 (5.6249%). The drains are being amortized over a period of 40 years beginning July 1, 2004.

North Arm Relief Drain	\$ 2,718,357
George W. Kuhn Drain	<u>7,049,013</u>
Total	<u>9,767,370</u>
Less: Accumulated Amortization	<u>(844,712)</u>
Net Intangible Assets	<u>\$ 8,922,658</u>

E. Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2008:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Balance</u> <u>Within 1 Year</u>
Gov. Activities:					
G.O. Bonds	\$ 9,500,000	\$ 6,250,000	\$ 600,000	\$ 15,150,000	\$ 600,000
Act 99 Installment	<u>30,000</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>
	<u>9,530,000</u>	<u>6,250,000</u>	<u>615,000</u>	<u>15,165,000</u>	<u>615,000</u>
Internal Service Fund:					
Act 99 Installment	<u>104,514</u>	<u>206,000</u>	<u>34,838</u>	<u>275,676</u>	<u>100,630</u>
	<u>9,634,514</u>	<u>6,456,000</u>	<u>649,838</u>	<u>15,440,676</u>	<u>715,630</u>
Compensated Absences	<u>407,642</u>	<u>27,463</u>	<u>-</u>	<u>435,105</u>	<u>-</u>
	<u>\$ 10,042,156</u>	<u>\$ 6,483,463</u>	<u>\$ 649,838</u>	<u>\$ 15,875,781</u>	<u>\$ 715,630</u>
Business Type Activities:					
G.O. Bonds	\$ 6,050,939	\$ 74,466	\$ 306,244	\$ 5,819,161	\$ 302,217
Contract Debt	<u>1,923,962</u>	<u>-</u>	<u>118,573</u>	<u>1,805,389</u>	<u>121,396</u>
	<u>7,974,901</u>	<u>74,466</u>	<u>424,817</u>	<u>7,624,550</u>	<u>423,613</u>
Compensated Absences	<u>48,525</u>	<u>-</u>	<u>23,661</u>	<u>24,864</u>	<u>3,560</u>
	<u>\$ 8,023,426</u>	<u>\$ 74,466</u>	<u>\$ 448,478</u>	<u>\$ 7,649,414</u>	<u>\$ 427,173</u>

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

E. Long-Term Debt – Continued

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the City as of June 30, 2008:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Governmental Activities:				
General Obligation Bonds	2	3.50%-3.90%	2026	\$ 15,150,000
Act 99 Installment Loan	4	2.68-4.99%	2011	290,676
Total Governmental Activities				<u>\$ 15,440,676</u>
Business Type Activities:				
G.O. Bonds	7	4.70%-6.00%	2027	\$ 5,819,161
Contract Debt	1	2.00%-5.00%	2022	1,805,389
Total Business Type Activities				<u>\$ 7,624,550</u>

The annual debt service requirements to maturity for general obligation bonds outstanding as of June 30, 2008 are as follows:

<u>Year Ended</u>	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 715,630	\$ 580,622	\$ 425,050	\$ 197,813
2010	763,090	552,935	435,927	186,600
2011	516,956	524,809	447,086	175,217
2012	485,000	505,060	458,249	163,537
2013	500,000	487,335	503,312	151,529
2014-2018	3,355,000	2,117,038	2,537,446	567,212
2019-2023	4,185,000	1,431,148	2,446,825	224,887
2024-2027	4,920,000	574,192	370,655	9,606
	<u>\$ 15,440,676</u>	<u>\$ 6,773,136</u>	<u>\$ 7,624,550</u>	<u>\$ 1,676,401</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities, which are \$26,969 of internal service fund compensated absences and \$275,676 of internal service fund installment notes at year end.

During the fiscal year, Oakland County Drain Commission issued George W. Kuhn Drainage District Refunding Bonds, Series 2007, to partially refund Series 2000B and 2001E. The City of Clawson's share of these obligations is 5.75%; the total savings on a non-present value basis is \$35,105. The total "economic gain" to the City of Clawson is \$23,304.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

F. Long-Term Interunit Advances

At June 30, 2008, the General Fund has an advance to the Downtown Development Authority in the amount of \$304,879. The advance is being repaid over the next 6 years with fixed rate of interest (1.72%), and scheduled principal repayments.

G. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at June 30, 2008, is presented below:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Fund Balance</u>				
Reserved For:				
Drug Law Enforcement	\$ 48,689	\$ -	\$ -	\$ -
Debt Service	-	-	97,443	-
Long Term Advances	304,879	-	-	-
Total Reserved	<u>353,568</u>	<u>-</u>	<u>97,443</u>	<u>-</u>
Unreserved:				
Undesignated	<u>2,156,984</u>	<u>1,757,597</u>	<u>-</u>	<u>3,297,350</u>
Total Unreserved	<u>2,156,984</u>	<u>1,757,597</u>	<u>-</u>	<u>3,297,350</u>
Total Fund Balance	<u>\$ 2,510,552</u>	<u>\$ 1,757,597</u>	<u>\$ 97,443</u>	<u>\$ 3,297,350</u>

H. Property Taxes

Property taxes are assessed as of each December 31. The City tax levy is billed on July 1 of the following year, and payable in eight installments through February. Taxes are considered delinquent on March 1, at which time the applicable property is subject to lien and penalty and interest is assessed. The maximum authorized operating levy for the City is 15 mills. The City's tax levy for the 2007 tax roll is as follows (tax rate per \$1,000 of assessed valuation):

General Operating	10.7602
Refuse	2.1518
Library	1.0000*
Voted Debt	2.6500
Voted Operating	<u>1.9232</u>
Total	<u>18.4852</u> mills

\*City's legal counsel has determined that this millage is not subject to required roll back of MCL 211.34 (d)

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

V. OTHER INFORMATION

A. Employee Retirement Systems and Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. Plan Description

The City contributes to the Michigan Municipal Employees' Retirement System (MMERS), which is an agent multiple employer retirement system that covers all full time employees of the City hired before July 1999, except for employees that had opted out of the plan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by a certain percentage based on the benefit program in effect as of the date of termination of membership times the final average compensation (FAC). The most recent period for which actuarial data was available was for the actuarial valuation as of December 31, 2007.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of the State of Michigan (MSA 5.333(a); MCLA 46.12(a)). MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Council. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

b. Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and personnel policy. The City is required to contribute at an actuarially determined rate; the current rate was a percentage of annual compensation at December 31, 2005 as follows:

General – Union	*
General Non – Union	*
Police – Fire	*
Police Command	*

\*Closed to new members – contributions expressed in fixed monthly dollar amounts

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

c. Annual Pension Cost

During the fiscal year ended June 30, 2008, the City's contributions totaling \$668,823 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2006.

The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

<u>Trend Information</u>				
Fiscal Year Ended <u>June 30,</u>	Valuation Date <u>Dec. 31</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	2000	\$409,837	100%	-0-
2003	2001	379,138	100%	-0-
2004	2002	344,223	100%	-0-
2005	2003	492,630	100%	-0-
2006	2004	495,131	100%	-0-
2007	2005	563,434	100%	-0-
2008	2006	668,823	100%	-0-

The information presented above was determined as part of the actuarial valuations at the dates indicated.

2. Clawson Fire Department Defined Benefit Plan

a. Plan Description

The Clawson Fire Department maintains and administers a single-employer defined benefit pension plan to provide pension benefits for its volunteer firemen. The Clawson Fire Department Defined Benefit Plan (the Plan) is considered part of the City of Clawson financial reporting entity and is included in the City's financial reports as a Pension Trust Fund. At June 30, 2008, thirty volunteer firemen were covered by the Plan. Currently, there are no terminated members receiving benefits or entitled to (retired) but not yet receiving benefits.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

2. Clawson Fire Department Defined Benefit Plan – Continued

a. Plan Description – Continued

The authority to establish or amend the plan benefits rests with the City Council. The Plan presently provides retirement as well as death benefits. All pension benefits vest after five years of total service. Employees who retire at age 50 are entitled to a monthly pension payable for life in an amount equal to \$38.50 multiplied by the years of service. Death benefits are based on the present value of accrued benefits per participant and are provided regardless of years of service. The City makes annual contributions to the Plan equal to the amount determined by an actuary. Employee contributions are not allowed. The Plan agreement does not allow post retirement benefit increases.

b. Summary of Significant Accounting Policies and Plan Asset Matters

The Plan's financial statements are prepared on the accrual basis of accounting. Contributions from the City are recognized as revenue in the period in which employees provide services to the City. Contributions include payments by the City for Plan insurance premiums, administrative costs and recommended contributions based upon actuarial determinations. Investment income is recognized as earned by the Plan. The net appreciation (depreciation) in the fair value of investments held by the Plan is recorded as an increase (decrease) of investment income based on the valuation of investments as of the date of the balance sheet. Benefits and refunds are expensed when paid.

Investments consisting of mutual funds are held in a brokerage trust account in the name of the Clawson Fire Department Employee Pension Plan. The investments are reported at fair value. Securities traded on a national or international exchange are valued at the latest market price as of the period end. There are no investments in, loans to, or leases with parties related to the Plan.

c. Funding Progress and Annual Required Contributions

As of June 30, 2007 the actuarial accrued liability (AAL) was \$833,476 greater than the actuarial value of assets; the City did not prepare a valuation for the current year. Plan amendments adopted during 2000 by the Clawson City Council included: the plan's death benefit was changed from 100 times monthly benefit to the present value of the participant's accrued monthly benefit, and the monthly benefit accrual level was increased.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

2. Clawson Fire Department Defined Benefit Plan – Continued

d. Contributions Required and Contributions Made

The City Council retains the authority to establish or amend the City's obligation to contribute to the plan. The City's policy is to annually fund plan contributions to cover administrative costs and the actuarial recommended contribution. The recommended contributions are determined on an actuarial basis using the modified aggregate actuarial cost method. Under this method, the excess of the actuarial present value of projected benefits of the group included in an actuarial valuation, over the actuarial value of assets is allocated on a level basis over the service of the group between the valuation date and the assumed exit. This allocation is performed for the group as a whole. That portion of the actuarial present value allocated to a valuation year is called the normal cost. Under this method, the actuarial gains (losses), as they occur, reduce (increase) future normal costs.

Total contributions to the Plan for the year ended June 30, 2008 amounted to \$245,669 which covered actuarial recommended contribution and administrative costs, and was based on an actuarial valuation as of July 1, 2006 determined as described above.

e. Long-Term Contracts and Reserves

There are no long-term contracts for contributions. In addition, there are no assets legally reserved for purposes other than the payment of plan member benefits.

Schedule of Employer Contributions

<u>Fiscal Year Ended June 30</u>	<u>Valuation Date June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
1999	1998	\$ 7,252	100%	-0-
2000	1999	10,000	100%	-0-
2001	2000	228,000	100%	-0-
2002	2001	224,000	100%	-0-
2003	2002	224,000	100%	-0-
2004	2003	224,000	100%	-0-
2005	2004	310,000	100%	-0-
2006	2004	330,000	100%	-0-
2007	2006	330,000	100%	-0-
2008	2006	245,669	100%	-0-

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

3. City of Clawson Executive Plan – Defined Contribution Plan

a. Plan Description

The City of Clawson contributes to the City of Clawson Executive Plan, which is a defined contribution money purchase pension plan. The plan is administered by the ICMA Retirement Corporation (ICMA) who sponsors the prototype plan. Amendments are developed by ICMA and submitted to the City Council for approval.

A defined contribution money purchase pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. The City Manager, if not covered by MERS, is eligible to participate in the plan. Contributions made by the City for an employee vest immediately.

b. Contributions Required and Contributions Made

The City is required to contribute an amount equal to 10% of the employee's gross earnings. Employee contributions on an after tax basis are permitted but not required. During the year, the City's required and actual contributions amounted to \$8,426. There were no employee contributions.

4. City of Clawson Employees Defined Contribution Plan

a. Plan Description

In April 1999, the City established a defined contribution plan for employees hired after July 1, 1999. The plan is administered by the ICMA Retirement Corporation (ICMA) who sponsors the prototype plan. Amendments are developed by ICMA and submitted to the City Council for approval. A defined contribution money purchase pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

4. City of Clawson Employees Defined Contribution Plan – Continued

a. Plan Description – Continued

of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. Contributions made by the City fully vest after 7 years.

b. Contributions Required and Contributions Made

The City is required to contribute an amount equal to 8% of the employee's gross earnings. Employee contributions on a pretax basis are permitted but not required. The City will match up to 2% of an employee's contribution. During the year, the City's required and actual contributions amounted to \$91,892, the employee contributions were \$15,412.

B. Post Retirement Health Care Benefits

The City provides post retirement health care insurance coverage to all employees who retire from the City. Currently 51 retirees are covered by this plan. This coverage is offered under contractual arrangements between the employees and the City. These benefits are expensed in the year paid, on a pay-as-you-go basis. Total expenditures were \$1,026,512 for the year ended June 30, 2008, which includes \$195,200 contribution to the V.E.B.A. Trust.

C. Risk Management

The City of Clawson is a member of the Michigan Municipal Risk Management Authority for its general liability coverage and a member of the Michigan Municipal Workers Compensation Fund for its workers compensation coverage. The City pays annual premiums to the pools. The pools are self-sustaining through member premiums, and each carries reinsurance through commercial companies for claims in excess of the pool loss reserve fund.

In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, reinsurance, or other insurance carried by the pools, or in the event that a series of losses should deplete or exhaust the loss reserve fund and reinsurance, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made.

No such event has occurred with the City of Clawson and the pools to which it belongs in any of the past three fiscal years.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2008

V. OTHER INFORMATION – Continued

D. Jointly Governed Organizations

1. Resource Recovery Authority

The City is a member of the Southeastern Oakland County Resource Recovery Authority (S.O.C.R.R.A.). The City appoints one member of the Authority's governing board, who then approves the annual budget. The board is made up of representatives from twelve member municipalities. These include Berkley, Beverly Hills, Birmingham, Clawson, Ferndale, Hazel Park, Huntington Woods, Lathrup Village, Oak Park, Pleasant Ridge, Royal Oak, and Troy. The City has a 4.54% participation in the Authority.

2. Water Authority

The City is a member of the Southeastern Oakland County Water Authority (S.O.C.W.A.). The City appoints one member to the Authority's governing board, who then approves the annual budget. The board is made up of representatives from eleven member municipalities. These include Berkley, Beverly Hills, Bingham Farms, Birmingham, Clawson, Huntington Woods, Lathrup Village, Pleasant Ridge, Royal Oak, Southfield and Southfield Township. The City has a 4.05% participation in the Authority. The debt of the Authority is being financed by water user fees.

E. Contingencies

The City entered into an agreement with the City of Royal Oak to improve Crooks Road. While the project was completed several years ago, the total cost and Clawson's share of the project cost is unknown and the City has received no request for payment. Additionally, in 1998, the City entered into an agreement with the Road Commission for improvements to Fourteen Mile Road. The total project cost was estimated to be \$1,075,870 of which Clawson's portion was budgeted at \$368,000. The project was completed as of June 30, 1999, but the total project cost, and the City's remaining obligations, if any is unknown.

F. Reporting Change

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Post employment Benefits Other Than Pensions*. The new pronouncement requires recognizing the cost of retiree health care, as well as any other post employment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CLAWSON  
Required Supplementary Information – (Unaudited)  
Defined Benefit Pension Plans – Trend Information  
For the Year Ended June 30, 2008

Municipal Employees Retirement System  
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/97	\$ 8,842,072	\$ 12,667,830	\$ 3,825,758	70%	\$ 3,037,794	126%
12/31/98	9,758,621	12,601,413	2,842,792	77%	2,754,458	103%
12/31/99	11,017,651	14,022,504	3,004,853	79%	2,632,630	114%
12/31/00	11,669,456	15,143,452	3,473,996	77%	2,568,774	135%
12/31/01	12,139,773	15,651,784	3,512,011	78%	2,471,650	142%
12/31/02	11,778,630	17,093,129	5,314,499	69%	2,151,124	247%
12/31/03	11,759,058	18,472,108	6,713,050	64%	2,124,567	316%
12/31/04	11,689,112	19,615,059	7,925,947	60%	2,062,345	384%
12/31/05	11,645,611	20,764,383	9,118,772	56%	1,797,855	507%
12/31/06	11,685,908	21,083,175	9,397,267	55%	1,806,265	520%
12/31/07	11,863,343	21,384,036	9,520,693	55%	1,811,247	526%

Additional information as of December 31, 2006, the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	4.50% - 8.66%
Includes inflation at 4.5%	
Cost of living adjustments	None

CITY OF CLAWSON  
Required Supplementary Information – (Unaudited)  
Defined Benefit Pension Plans – Trend Information  
For the Year Ended June 30, 2007

Fire Department Defined Benefit Plan  
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Modified Aggregate (b)	Excess Assets Over (Under) AAL (b-a)	Funded Ratio (a/b)
7/1/98	\$ 333,943	\$ 475,081	\$ (141,138)	70%
7/1/99	334,760	496,481	(161,721)	67%
7/1/00	296,628	1,996,539	(1,699,911)	15%
7/1/01	476,761	1,300,528	(823,767)	37%
7/1/02	659,108	1,790,984	(1,131,876)	37%
7/1/03	939,097	1,935,950	(996,853)	49%
7/1/04	1,302,908	2,503,944	(1,201,036)	52%
7/1/05	1,695,905	3,023,387	(1,327,482)	56%
7/1/06	2,579,735	3,413,211	(833,476)	75%

Due to the part-time nature of volunteer firemen, all payroll based required disclosures are not deemed relevant.

Note: City did not perform an actuarial valuation in 2007-2008.

Additional information as of July 1, 2006, the latest actual valuation, follows:

Actuarial cost method	Modified aggregate
Amortization method	Future normal cost is amortized over future years of service
Amortization period	7.75 years
Actuarial asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	6%
Projected salary increases	Not applicable
Post retirement benefit increases	None
Inflation	None

**CITY OF CLAWSON**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$ 5,034,000	\$ 5,024,000	\$ 5,074,380	\$ 50,380
Penalties and Interest	25,000	25,000	39,786	14,786
Property Tax Administration Fee	165,000	165,000	184,415	19,415
Licenses and Permits	172,700	196,800	172,296	(24,504)
Intergovernmental - State	951,000	1,171,600	1,173,976	2,376
Intergovernmental - Local	29,300	29,300	59,407	30,107
Charges for Services	202,850	219,650	203,731	(15,919)
Fines and Forfeitures	165,050	185,050	164,501	(20,549)
Franchise Fees	125,000	158,000	158,665	665
Interest Earnings	170,000	190,000	181,925	(8,075)
Other Revenues	252,500	275,875	275,490	(385)
Total Revenues	<u>7,292,400</u>	<u>7,640,275</u>	<u>7,688,572</u>	<u>48,297</u>
<b>Expenditures:</b>				
General Government:				
City Council	17,210	17,210	16,312	898
City Manager	199,135	199,135	188,774	10,361
Elections	19,980	19,980	18,026	1,954
Finance	117,230	120,105	120,036	69
Assessor	85,885	85,885	84,193	1,692
Attorney	132,200	132,200	126,771	5,429
Clerk	219,275	219,275	186,243	33,032
Treasurer	179,410	179,410	175,920	3,490
City Hall	301,100	283,900	263,165	20,735
Total General Government	<u>1,271,425</u>	<u>1,257,100</u>	<u>1,179,440</u>	<u>77,660</u>
Public Safety:				
Police	2,214,100	2,219,700	2,173,252	46,448
Fire	439,385	405,791	392,108	13,683
Inspection and Engineering	293,400	299,900	299,434	466
Planning Commission	86,500	94,000	92,630	1,370
Total Public Safety	<u>3,033,385</u>	<u>3,019,391</u>	<u>2,957,424</u>	<u>61,967</u>
Public Works:				
Department of Public Works	681,655	733,255	731,042	2,213
Street Lighting	160,000	160,000	152,537	7,463
Total Public Works	<u>841,655</u>	<u>893,255</u>	<u>883,579</u>	<u>9,676</u>
Health and Welfare:				
Senior Citizens	189,085	206,675	205,069	1,606
Youth Programs	4,325	4,325	4,286	39
Total Health and Welfare	<u>193,410</u>	<u>211,000</u>	<u>209,355</u>	<u>1,645</u>
Recreation and Cultural:				
Parks	228,745	239,595	236,335	3,260
Recreation	402,215	399,115	379,325	19,790
Historical	25,680	25,680	24,762	918
Total Recreation and Cultural	<u>656,640</u>	<u>664,390</u>	<u>640,422</u>	<u>23,968</u>

(Continued)

**CITY OF CLAWSON**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Expenditures: (continued)</u></b>				
Other Functions:				
Other Functions	\$ -	\$ -	\$ 39	\$ (39)
Retiree Health Insurance	1,060,800	1,060,800	1,026,512	34,288
Cable TV/internet	25,245	25,245	21,153	4,092
Total Other Functions	<u>1,086,045</u>	<u>1,086,045</u>	<u>1,047,704</u>	<u>38,341</u>
Debt Service:				
Principal	30,000	15,000	15,000	-
Interest and Other Charges	11,200	8,700	6,997	1,703
Total Debt Service	<u>41,200</u>	<u>23,700</u>	<u>21,997</u>	<u>1,703</u>
Capital Outlay	<u>124,700</u>	<u>228,450</u>	<u>224,041</u>	<u>4,409</u>
Contingency	<u>34,840</u>	<u>247,844</u>	<u>-</u>	<u>247,844</u>
Total Expenditures	<u>7,283,300</u>	<u>7,631,175</u>	<u>7,163,962</u>	<u>467,213</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>9,100</u>	<u>9,100</u>	<u>524,610</u>	<u>515,510</u>
<b><u>Other Financing Sources (Uses):</u></b>				
Transfers Out	(29,100)	(29,100)	-	29,100
Transfers In	20,000	20,000	20,000	-
Total Other Financing Sources (Uses)	<u>(9,100)</u>	<u>(9,100)</u>	<u>20,000</u>	<u>29,100</u>
Net Change in Fund Balance	-	-	544,610	544,610
Fund Balance - Beginning	<u>1,965,942</u>	<u>1,965,942</u>	<u>1,965,942</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,965,942</u>	<u>\$ 1,965,942</u>	<u>\$ 2,510,552</u>	<u>\$ 544,610</u>

OTHER SUPPLEMENTARY INFORMATION

**CITY OF CLAWSON**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2008**

	<u>Special Revenue</u>	<u>2007 Unlimited G.O. Bonds Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 1,760,435	\$ 79,280	\$ 1,839,715
Receivables (net of allowance for uncollectibles)	753	-	753
Due from Other Funds	2,000	18,163	20,163
Due from State	58,541	-	58,541
Prepaid Expenditures	<u>19,000</u>	<u>-</u>	<u>19,000</u>
Total Assets	<u>\$ 1,840,729</u>	<u>\$ 97,443</u>	<u>\$ 1,938,172</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
Liabilities:			
Accounts Payable	\$ 46,772	\$ -	\$ 46,772
Accrued and Other Liabilities	<u>36,360</u>	<u>-</u>	<u>36,360</u>
Total Liabilities	<u>83,132</u>	<u>-</u>	<u>83,132</u>
Fund Balance:			
Reserved for :			
Debt Service	-	97,443	97,443
Unreserved	<u>1,757,597</u>	<u>-</u>	<u>1,757,597</u>
Total Fund Balance	<u>1,757,597</u>	<u>97,443</u>	<u>1,855,040</u>
Total Liabilities and Fund Balance	<u>\$ 1,840,729</u>	<u>\$ 97,443</u>	<u>\$ 1,938,172</u>

**CITY OF CLAWSON**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2008**

	<u>Special Revenue</u>	<u>2007 Unlimited G.O. Bonds Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b><u>Revenues:</u></b>			
Property Taxes	\$ 1,268,418	\$ 1,080,228	\$ 2,348,646
Intergovernmental	709,035	-	709,035
Interest	77,810	14,949	92,759
Other	149,563	-	149,563
Total Revenues	<u>2,204,826</u>	<u>1,095,177</u>	<u>3,300,003</u>
<b><u>Expenditures:</u></b>			
Highways, Streets, Sidewalks, and other Maintenance	756,881	-	756,881
Capital Outlay	17,807	-	17,807
Debt Service:			
Principal	-	600,000	600,000
Interest and Other Charges	-	397,734	397,734
Administrative	41,000	-	41,000
Sanitation	748,618	-	748,618
Recreation and Culture	456,031	-	456,031
Total Expenditures	<u>2,020,337</u>	<u>997,734</u>	<u>3,018,071</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>184,489</u>	<u>97,443</u>	<u>281,932</u>
<b><u>Other Financing Sources (Uses):</u></b>			
Operating Transfers In	110,000	-	110,000
Operating Transfers Out	(110,000)	-	(110,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	184,489	97,443	281,932
Fund Balance, July 1	<u>1,573,108</u>	<u>-</u>	<u>1,573,108</u>
Fund Balance, June 30	<u>\$ 1,757,597</u>	<u>\$ 97,443</u>	<u>\$ 1,855,040</u>

**CITY OF CLAWSON**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2008**

	<u>Major Street</u>	<u>Local Street</u>	<u>Library</u>	<u>Refuse Collection</u>	<u>CDBG</u>	<u>Sidewalk</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b><u>ASSETS</u></b>							
Cash and Cash Equivalents	\$ 1,113,743	\$ 262,979	\$ 50,686	\$ 225,921	\$ (753)	\$ 107,859	\$ 1,760,435
Receivables (net of allowance for uncollectibles)	-	-	-	-	753	-	753
Due from Other Funds	-	2,000	-	-	-	-	2,000
Due from State	38,577	15,785	4,179	-	-	-	58,541
Prepaid Expenditures	13,168	1,049	4,783	-	-	-	19,000
Total Assets	<u>\$ 1,165,488</u>	<u>\$ 281,813</u>	<u>\$ 59,648</u>	<u>\$ 225,921</u>	<u>\$ -</u>	<u>\$ 107,859</u>	<u>\$ 1,840,729</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>							
Liabilities:							
Accounts Payable	\$ 8,742	\$ 1,962	\$ 8,106	\$ 27,962	-	-	\$ 46,772
Accrued Liabilities	4,092	4,150	28,118	-	-	-	36,360
Total Liabilities	<u>12,834</u>	<u>6,112</u>	<u>36,224</u>	<u>27,962</u>	<u>-</u>	<u>-</u>	<u>83,132</u>
Fund Balance :							
Unreserved:							
Undesignated	<u>1,152,654</u>	<u>275,701</u>	<u>23,424</u>	<u>197,959</u>	<u>-</u>	<u>107,859</u>	<u>1,757,597</u>
Total Liabilities and Fund Balance	<u>\$ 1,165,488</u>	<u>\$ 281,813</u>	<u>\$ 59,648</u>	<u>\$ 225,921</u>	<u>\$ -</u>	<u>\$ 107,859</u>	<u>\$ 1,840,729</u>

**CITY OF CLAWSON**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2008**

	<u>Major Street</u>	<u>Local Street</u>	<u>Library</u>	<u>Refuse Collection</u>	<u>CDBG</u>	<u>Sidewalk</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>Revenues:</b>							
Taxes	\$ -	\$ -	\$ 406,029	\$ 862,389	\$ -	\$ -	\$ 1,268,418
InterSpecial Revenue	469,977	223,453	11,346	-	4,259	-	709,035
Interest Income	46,465	9,547	6,272	15,526	-	-	77,810
Other	-	-	37,204	-	-	112,359	149,563
Total Revenues	<u>516,442</u>	<u>233,000</u>	<u>460,851</u>	<u>877,915</u>	<u>4,259</u>	<u>112,359</u>	<u>2,204,826</u>
<b>Expenditures:</b>							
Highways, Streets, Sidewalks and Other Maintenance	350,413	401,968	-	-	-	4,500	756,881
Capital Outlay	-	-	17,807	-	-	-	17,807
Administrative	22,000	19,000	-	-	-	-	41,000
Sanitation	-	-	-	748,618	-	-	748,618
Recreation and Culture	-	-	451,772	-	4,259	-	456,031
Total Expenditures	<u>372,413</u>	<u>420,968</u>	<u>469,579</u>	<u>748,618</u>	<u>4,259</u>	<u>4,500</u>	<u>2,020,337</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>144,029</u>	<u>(187,968)</u>	<u>(8,728)</u>	<u>129,297</u>	<u>-</u>	<u>107,859</u>	<u>184,489</u>
<b>Other Financing Sources (Uses):</b>							
Operating Transfers In	-	110,000	-	-	-	-	110,000
Operating Transfers Out	(110,000)	-	-	-	-	-	(110,000)
Total Other Financing Sources (Uses)	<u>(110,000)</u>	<u>110,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	34,029	(77,968)	(8,728)	129,297	-	107,859	184,489
Fund Balance, July 1	<u>1,118,625</u>	<u>353,669</u>	<u>32,152</u>	<u>68,662</u>	<u>-</u>	<u>-</u>	<u>1,573,108</u>
Fund Balance, June 30	<u>\$ 1,152,654</u>	<u>\$ 275,701</u>	<u>\$ 23,424</u>	<u>\$ 197,959</u>	<u>\$ -</u>	<u>\$ 107,859</u>	<u>\$ 1,757,597</u>